

KEY HEADLINES:

The Indian rupee spot against the US dollar fall to test fresh 2-month low on Wednesday, pressure by dollar demand from importer bank for corporate hedging activity, subdued dollar index and elevated Crude oil prices makes rupee under check ahead of key U.S FED rate decision late night.

The rupee at NSE Future 26 June-25. ended down by 23 paise at 86.50 against previous close of 86.27 and after make low of 86.27 and high of 86.60. The 1-month forward premium rose to 10 paisa, with traders citing paying interest spurred by arbitrage between non-deliverable and onshore forwards. The 1-year dollar-rupee implied yield also ticked up to 1.83%.

The Fed's decision on Wednesday to leave the policy rate in its current 4.25%-4.50% range was unanimous. U.S. central bankers are increasingly split over the appropriate path of policy, with the median of fresh forecasts published on Wednesday still pointing to a half percentage point of rate cuts by year-end, but a rising minority expecting no rate cuts at all. The projections showed eight of the Fed's 19 policymakers expect to reduce the rate range to 3.75%-4.00% by the end of this year, and two policymakers felt a further quarter-point reduction would be appropriate.

Worries about the economic impact of U.S. trade policies have continued to weigh on the dollar, which is down by around 8% against major peers over the year so far. A 90-day pause on U.S. reciprocal tariffs is set to elapse in early July but legal back-and-forth on the viability of the broad-based levies may continue to keep uncertainty elevated.

The BoE is due to meet this week and is expected to keep the interest rate unchanged. Money market traders are pricing in about 48 basis points of cuts by year-end, up from about 39 bps before the data. Central banks in Switzerland, Sweden and Norway are also slated to unveil their policy decisions this week.

The U.S. dollar traded mostly lower against the yen and edged higher against the Swiss franc on Wednesday as fighting between Israel and Iran spurred investors to scoop up safe havens, while a pending Federal Reserve rates decision restrained volatility.

Israel has bombarded arch-enemy Iran over the past six days to halt its nuclear activity and has asserted the need for a change of government in the Islamic Republic.

The dollar has resumed its role as a safe haven, having gained around 1% against both the Japanese yen and Swiss franc since last Thursday. On Wednesday, the U.S. currency took a breather, edging fractionally lower against the yen and the franc and more noticeably so against the euro and the pound. Against the yen , the dollar fell 0.27% to 144.88 and was steady against the franc at 0.8169 francs. The pound rose 0.25% to \$1.3461, having received an early boost from data showing inflation cooled no more than expected to an annual rate of 3.4% in May, ahead of the BoE decision. The euro was also up 0.26% at \$1.151.

In light of the signs of easing trade tensions, markets have dialed back expectations for rate cuts from the U.S. Federal Reserve this year, pricing in a 68% chance for the first cut of at least 25 basis points (bps) at the central bank's September meeting, according to LSEG data. The prior view was for a likely cut in July.

Economic Indicators to be released.

| Indicator | Currency | Forecast | Previous | Impact |
|-----------|----------|----------|----------|--------|
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|--------------------|-----|-------|-------|------|
| Official Bank Rate | GBP | 4.25% | 4.25% | HIGH |
| Bank Holiday | USD | | | |
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Support Resistance Levels – Currency Future: (NSE CUR - 26 June 25)

| Currency | LTP | S1 | S2 | R1 | R2 | Trend |
|---------------|--------|-------|--------|--------|-------|----------|
| USDINR FUTURE | 86.50 | 85.70 | 84.90 | 86.60 | 87.30 | BULLISH |
| EURINR FUTURE | 99.47 | 99.0 | 98.20 | 100.0 | 101.0 | BULLISH |
| GBPINR FUTURE | 116.31 | 116.0 | 115.30 | 117.10 | 118.0 | SIDEWAYS |
| JPYINR FUTURE | 59.82 | 59.0 | 58.50 | 60.30 | 61.0 | SIDEWAYS |

Technical Research Analyst

Vibhu Ratandhara

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186