

KEY HEADLINES:

The Indian rupee spot against the US dollar ended higher to hit 2-week high on Thursday, thanks to broad weakness in dollar index which fell towards fresh 3-year low on the back of concerns over the future independence of the U.S. Federal Reserve added by risk appetite after ceasefire in Middle East tension and softened crude oil prices supported by rally in equity market.

The rupee at NSE Future 29 July-25. ended higher by 37 paise at 85.85 against previous close of 86.22 and after making low of 85.76 and high of 86.18. Among major Asian currencies, the Taiwan dollar led the charge on Thursday with a 0.6% gain.

Its troubles were compounded by the prospect of President Donald Trump making an early appointment of the next Federal Reserve Chair, which spurred worries over the independence of the U.S. central bank. The dollar index is down over 10% on the year so far. U.S. President Donald Trump will nominate a new Fed Chair next year who is expected to be more dovish than Powell, whose term will end in May.

Investors are also focused on the Trump administration's self-imposed July 9 deadline to negotiate deals that avoid reciprocal tariffs with trading partners. U.S. Congress is also working on a tax and spending bill which the Senate is aiming to pass by July 4. The dollar could get a boost if fiscal stimulus from the bill boosts growth and reduces the deficit as a percentage of gross domestic product.

Longer-term the dollar is also under pressure as international investors reallocate away from U.S. assets on concerns about the outlook for the economy and the U.S. currency.

The Indian central bank's decision to withdraw surplus liquidity from the banking system just weeks after a large rate cut and cash boosting measures has prompted an uptick in money market rates which may continue in the coming days. The Reserve Bank of India will conduct a 7-day variable rate reverse repo (VRRR), for 1 trillion rupees (\$11.64 billion) on Friday, its first such operation since November-end. Conducting VRRRs shows the RBI's discomfort with the overnight and treasury bill rates remaining below repo rate.

The Reserve Bank of India on Wednesday extended the trading hours for the interbank call money market by 2 hours to 7:00 p.m. IST, with effect from July 1. Banks borrow and lend money in the call market. The revised timings for the call market will be 9:00 a.m. IST to 7:00 p.m. IST. The central bank also extended the hours for market repo and tri-party repo to 4:00 p.m. IST, with effect from August 1. The trading hours for

government bonds, foreign exchange and interest rate derivative markets have been left unchanged.

The dollar hit a three-and-a-half-year low against the euro and sterling on Thursday in a broad selloff as traders priced in the likelihood that the Federal Reserve will cut rates more than previously expected.

The euro was last up 0.51% at \$1.1719 and reached \$1.1744, the highest since September 2021. Sterling rose 0.62% to \$1.3748 and got as high as \$1.3770, its highest since October 2021. The Swiss franc hit a 10-1/2-year high at 0.799 per dollar. The dollar fell 0.72% to 144.2 Japanese yen .

Fed funds futures traders are pricing in 23% odds of a July cut, up from 13% a week ago, while a cut by September has a 93% probability, according to the CME Group's FedWatch Tool. In total, traders see 66 basis points of cuts by year-end, indicating a potential third 25-basis point reduction, up from 46 basis points on Friday.

In cryptocurrencies, bitcoin fell 0.43% to \$107,382.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
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Core PCE Price Index m/m	USD	0.1%	0.1%	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 29 July 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.85	85.50	84.90	86.30	87.10	BEARISH
EURINR FUTURE	100.70	99.90	99.0	101.0	102.0	BULLISH
GBPINR FUTURE	117.83	117.0	116.30	118.10	119.0	BULLISH
JPYINR FUTURE	59.90	59.30	58.70	60.40	61.0	SIDEWAYS

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