

KEY HEADLINES:

The Indian rupee against the US dollar end strong on Tuesday thanks to central bank intervention after fall towards life time low on last Friday added by uptick in Asian peers and expected funds flow into domestic equity as well debt market.

The rupee at NSE Future 26 April. ended strong by 36 paise at 83.36 against previous close of 83.72 and after make low of 83.20 and high of 83.61. The offshore Chinese yuan was higher at 7.24 after having risen 0.7% on Monday, aided by dollar sales from Chinese state-run banks. Meanwhile, dollar-rupee forward premiums fell, with the 1-year implied yield down 4 basis points (bps) at 1.54%, its lowest level in nearly 4 months.

Friday's sharp decline caught traders by surprise as the rupee fell to an all-time low of 83.43 against the dollar in the closing minutes of domestic trading. Persistent intervention by the RBI in the foreign exchange market over the past several months had dampened exchange rate volatility.

The Indian currency has been a beneficiary of persistent foreign inflows in the country's debt and equity markets but dollar purchases from importers and possible intervention by the central bank have limited gains.

India's current account deficit narrowed in the October-December quarter, largely due to higher service exports, the central bank said on Tuesday. The deficit was \$10.5 billion, or 1.2% of GDP, in the third quarter of fiscal 2023/24, compared with \$11.4 billion, or 1.3% of GDP, in the preceding quarter, which was revised upwards from \$8.3 billion, or 1% of GDP.

Bloomberg Index Services said it will include 34 Indian government bonds that are open for investment under the country's fully accessible route in its emerging market local currency indexes from January 2025. The announcement follows JP Morgan's decision to add Indian government bonds in its Government Bond Index-Emerging Markets from June 2024.

The dollar rose on Tuesday as traders waited on a fresh catalyst to give clues on Federal Reserve policy, while the yen slipped after Japan's finance minister said that he would not rule out any measures to cope with the weakening currency.

The dollar index gained 0.06% to 104.28, while the euro fell 0.05% to \$1.0831. The yen dipped 0.09% to 151.52, reversing earlier gains, as verbal intervention by Japanese

officials continued. China's yuan has also been on traders' radars since its sudden sharp fall on Friday. It gained slightly in the offshore market to 7.248 per dollar after a firmer-than-expected fix from the People's Bank of China .

Personal consumption expenditures (PCE) due on Friday is this week's main economic catalyst. The U.S. core PCE price index is seen rising 0.3% in February, which would keep the annual pace at 2.8%.

Traders are pricing in a 74% probability the Fed will begin cutting rates in June, up from 59% week ago, according to the CME Group's **FedWatch Tool**. The market has also factored in two more cuts of 25 basis points each for the year, taking down the fed funds rate to 4.46% by the end of 2024.

In cryptocurrencies, bitcoin fell 1.28% to \$70,078.01 It is holding below a record high of \$73,803.25 reached on March 14.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Crude Oil Inventories	USD	-0.7M	-2.0M	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.36	83.10	82.75	83.65	83.85	BULLISH
EURINR FUTURE	90.56	90.20	89.40	91.10	92.0	BULLISH
GBPINR FUTURE	105.50	105.0	104.40	106.05	106.50	BULLISH
JPYINR FUTURE	55.46	55.20	54.70	56.15	57.10	BEAERISH

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