

KEY HEADLINES:

The Indian rupee against the US dollar end slight higher on Tuesday to recover from decline till half of session due to expected funds flow after record high equity market added by fall in crude oil prices and likely central bank intervention, against overnight gain in dollar index as well US treasury yield makes early fall in domestic currency.

The rupee at NSE Future 29 May. ended gain by 4 paise at 83.50 against previous close of 83.54 and after make low of 83.48 and high of 83.60.

The U.S. Federal Reserve held interest rates steady on Wednesday and signaled it is still leaning towards eventual reductions in borrowing costs, but put a red flag on recent disappointing inflation readings and suggested a possible stall in the movement towards more balance in the economy. Indeed, Fed Chair Jerome Powell said it was likely to take longer than previously expected for U.S. central bank officials to gain the "greater confidence" needed for them to kick off interest rate cuts.

The Fed also announced it will scale back the pace at which it is shrinking its balance sheet starting on June 1, allowing only \$25 billion in Treasury bonds to run off each month versus the current \$60 billion. Mortgage-backed securities will continue to run off by up to \$35 billion monthly.

Fed fund futures traders are now pricing in 35 basis points of easing this year, up from 29 basis points before the Fed statement.

The ADP Employment report on Wednesday showed that U.S. private payrolls increased more than expected in April while data for the prior month was revised higher.

India's infrastructure output in March rose 5.2% year-on-year, compared with a revised 7.1% growth in February, government data showed on Tuesday. Infrastructure output, which accounts for 40% of industrial production, measures activity in eight sectors, including refinery products and electricity. In the financial year ended March 31, infrastructure output was up 7.5% from the year-ago period.

Foreign investors have pulled out \$1.57 billion from Indian equities and debt on a net basis after being net buyers in February and March, according to stock depository data.

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 fell on Wednesday after the U.S. Federal Reserve signaled it is still leaning toward eventual reductions in borrowing costs, but repeated that it wants to gain "greater confidence" that inflation will continue to fall before cutting rates.

The dollar index fell 0.44% at 105.85, after earlier reaching 106.49, the highest since April 16. A break above the 106.51 would be the highest since early November. The euro gained 0.5% to \$1.0718. The pound strengthened 0.34% to \$1.2532. The dollar fell 0.33% to 157.28 yen .

The next major economic indicator will be Friday's jobs report for April, which is expected to show that employers added 243,000 jobs during the month.

In cryptocurrencies, bitcoin fell 1.97% at \$58,683.79 after earlier reaching \$56,483, the lowest since Feb. 27.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Unemployment Claims	USD	212K	207K	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.50	83.25	82.80	83.85	84.50	BULLISH
EURINR FUTURE	89.46	88.95	88.20	89.65	90.80	SIDEWAYS
GBPINR FUTURE	104.56	104.15	103.65	104.65	105.75	BULLISH
JPYINR FUTURE	53.57	53.10	52.50	54.35	55.0	BEAERISH

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Disclosure:

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