

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar end lower on Wednesday, pressure by gain in dollar index from more than 3-year low hit earlier added by subdued equity market ahead of key U.S jobs data as well reciprocal tariff 9-July deadline.

The rupee at NSE Future 29 July-25. ended fall by 11 paise at 85.73 against previous close of 85.62 and after make low of 85.58 and high of 85.84. Asian currencies declined as well, led by the Malaysian ringgit, which fell 0.7%. The dollar index was up nearly 0.3% and hovering just shy of the 97 handle.

Despite the looming trade deadline, the rupee's very near-tenor implied volatility, a gauge of future expectations, was hovering a tad below its three-month average, indicating that traders are not yet pricing in the possibility of sharp swings in the near-term.

Rupee posted modest losses of 0.2% and 0.3% respectively for the month June and qter, underperforming most Asian peers amid a broad dollar downtrend. Asian peers such as the Taiwan dollar and Korean won have risen about nearly 13% and 8% year-to-date, respectively, while the offshore Chinese yuan, a closely tracked peer of the rupee, is up over 2%.

The dollar index is down over 10% on the year so far, worst H1 since 1973, bogged down by worries over U.S. fiscal policies, uncertainty over trade deals ahead of a looming deadline and concerns over the future independence of the Federal Reserve have all hurt the dollar this year.

The U.S. dollar gained against major currencies including the yen, Swiss franc and the euro on Wednesday as data supported market expectations of a Federal Reserve interest rate cut, while the pound sterling fell amid a selloff in British government bonds.

The dollar had lost ground briefly but regained momentum after the ADP National Employment Report showed U.S. private payrolls fell for the first time in more than two years in June, suggesting the Fed might cut rates as soon as September.

The dollar was up 0.18% to 143.675 against the Japanese yen , on track to snap two straight sessions of losses. It was up 0.13% to 0.791365 against the Swiss franc , on

track for gains after seven consecutive sessions of declines. The euro fell 0.13% to \$1.17890 against the dollar but gained 0.9% versus the pound sterling. The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, rose 0.23% to 96.863, on track to snap nine straight sessions of losses.

The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, fell 0.15% to 97.05, on track for its 6<sup>th</sup> - straight month of losses. It is set to mark its worst half-year since the 1970s.

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.

#### **Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact



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