

KEY HEADLINES:

The Indian rupee spot against the US dollar end higher on Thursday, to touched almost 1-month high thanks to dollar sales by foreign banks after trade deal optimism added by expected inflows and despite gain in dollar index post U.S Non Farm data.

The rupee at NSE Future 29 July-25. ended gain by 31 paise at 85.42 against previous close of 85.73 and after make low of 85.30 and high of 85.79.

It is to be expected that, a trade deal between U.S - India could push the rupee above 85, but further gains would depend on foreign inflows and if the central bank steps in shore up its FX reserves via dollar purchases.

India's services sector enjoyed its strongest growth in ten months in June, fuelled by robust demand and cooling price pressures, a survey showed on Thursday. The HSBC final India Services PMI, compiled by S&P Global, climbed to 60.4 in June from 58.8 in May, but was a touch lower than a preliminary estimate of 60.7. The PMI threshold of 50.0 separates growth in activity from contraction.

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 qtr, 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 U.S. dollar rose against major currencies, including the yen, euro and Swiss franc on Thursday, after data showing the U.S. economy created more jobs than expected, signalling that the Federal Reserve might take longer to cut interest rates.

The dollar strengthened 0.94% to 145.075 versus the Japanese yen and was up 0.39% to 0.7955 against the Swiss franc . The U.S. currency is on track to notch a second consecutive session of gains against both safe-haven currencies. The euro was 0.41% weaker at \$1.175350. It is on track for the second straight day of losses. The dollar

index, rose 0.40% to 97.135, on track for two straight sessions of gains, although it is still near multi-year lows.

U.S. Labor Department data on Thursday showed that nonfarm payrolls increased by 147,000 jobs in June. Economists polled by Reuters had forecast a rise of 110,000. The report was published a day early because of the July 4 U.S. Independence Day holiday.

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 6th - straight month of losses. It is set to mark its worst half-year since the 1970s.

Market expectations that the Fed will leave rates unchanged at its July meeting rose to a 95.3% probability, up from 76.2% a day ago, according to the CME's Fedwatch tool, 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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Support Resistance Levels – Currency Future: (NSE CUR - 29 July 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.42	85.30	84.90	85.85	86.30	BEARISH
EURINR FUTURE	100.92	100.40	99.70	101.50	102.20	BULLISH
GBPINR FUTURE	116.80	116.30	115.50	117.50	118.10	BEARISH
JPYINR FUTURE	59.84	59.50	59.0	60.10	61.0	SIDEWAYS

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