

Date: May 24, 2024

Trend for the Day:

USDINR: 83.18 (Prev cl: 83.28) ↓

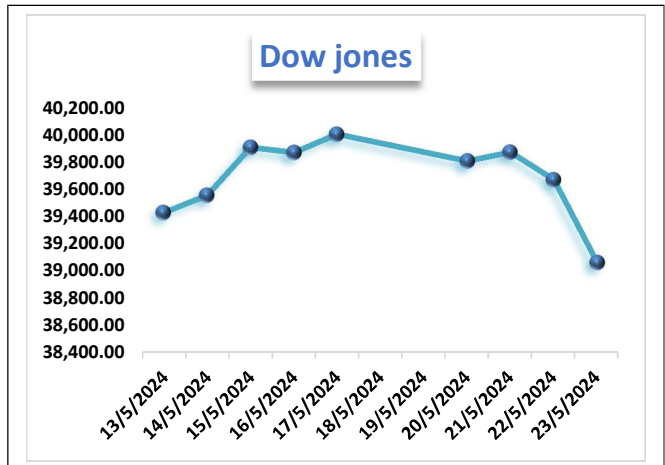
EURINR: 89.91 (Prev cl: 90.23) ↓

GBPINR: 105.59 (Prev cl: 105.90) ↓

JPYINR: 52.96 (Prev cl: 53.55) ↓

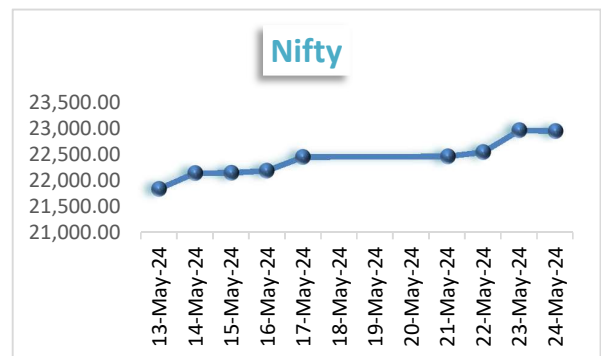
## Global Market

- **US Market:** Overnight, US stocks ended sharply lower as enthusiasm over Nvidia's quarterly results faded and robust economic data fueled concerns over tighter-for-longer monetary policy. U.S. Treasury yields turned higher after the data. All three major U.S. stock indexes gathered downward momentum in afternoon trading, ending the session deep in red territory. The blue-chip Dow suffered the worst of it, closing down 1.5%. The Dow Jones Industrial Average fell 605.78 points, or 1.53%, to 39,065.26, the S&P 500 lost 39.17 points, or 0.74%, to 5,267.84 and the Nasdaq Composite dropped 65.51 points, or 0.39%, to 16,736.03.
- **Asian Markets:** Asia-Pacific markets fell on Friday as Wall Street continued to extend losses, despite a post-earnings rally from tech darling Nvidia. Nvidia shares rose 9.3% on Thursday, following a stellar earnings that topped expectations. The Nikkei 225 plunged 1.83% after the CPI announcement, while the broad-based Topix fell 1.22%. South Korea's Kospi was 1.34% lower, while the small-cap Kosdaq lost 0.95%. The Australian S&P/ASX 200 also fell 1.22%. Futures for Hong Kong's Hang Seng index stood at 18,638, pointing to a weaker open compared to the HSI's close of 18,868.71.
- **FOMC minutes:** The Federal Open Market Committee (FOMC) Minutes from May's meeting didn't show any fresh insights and confirmed that members are not certain on how long will the monetary policy will take to bring inflation down to 2% but that it will eventually achieve it. Overall, the US economy is witnessing consistent growth, evident from dwindling Fed easing expectations despite softening labor and inflation figures. The hawkish stance from Fed officials suggests rate cuts are unlikely in the near future, which is holding the USD afloat.



## Domestic Market

- **Indian Benchmarks:** Today, Indian benchmark indices traded in little down due to the negative global markets. Sensex was traded down by 33.67 points to 75,384.37 and Nifty was down by 16.65 points at 22,951.00.
- **RBI announces dividend:** The record ₹2.11-trillion dividend for FY24 announced by the central bank on Wednesday is expected to help the government meet its fiscal deficit target for FY25. The move also immediately impacted bond yields, with the 10-year benchmark yield falling below 7% after the announcement. However, the additional amount can either reduce the fiscal deficit or boost spending. The primary component of the gains for the RBI seems to be the FX reserve management.

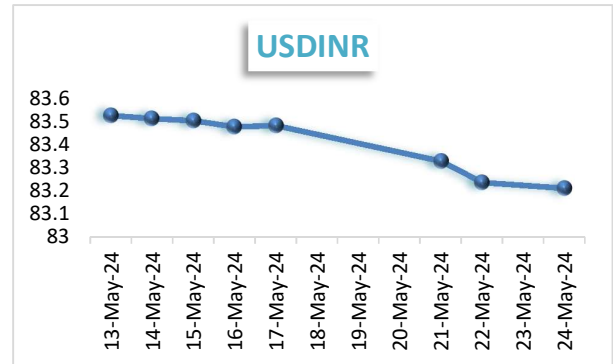


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- **FII and DII:** Foreign institutional investors (FII) turned buyers on May 23 as they bought Indian equities worth Rs 4,670.95 crore, while domestic institutional investors (DII) bought Rs 146.51 crore worth of equities during the same period.

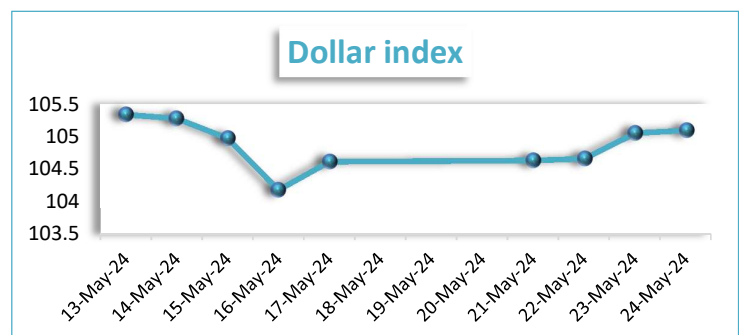
**Currency Market**

- **USDINR:** The USDINR traded down at Rs. 83.18 on Friday compared to the Rs. 83.28 level of its previous close on Wednesday despite the stronger dollar index.
- **Dollar Index:** The US dollar index which tracks the greenback against the basket of its peers remained firm to 105.09 on Friday supported by surprisingly strong U.S. economic indicators and a hawkish tone in Federal Reserve minutes..
- **Crude Oil:** Crude oil prices edged up to \$81.37 a barrel on Friday, as players took stock of the U.S. Federal Reserve's latest comments on interest rates amid sticky inflation, while firming seasonal U.S. fuel demand lent support.

**Other Major Pairs**

- **EURUSD:** The EURUSD traded down at 1.0810 due to the stronger dollar index weighed on the Euro. Meanwhile, Yesterday, the HCOB Composite PMI data released and it came at 52.2 better than the expectation at 51 level. Today, there are no major data releases from the Europe region. The EURUSD may stay in a range of 1.0790 - 1.0840 levels.
- **GBPUSD:** The British Pound traded down at 1.2692 against the US dollar dragged by the strong dollar, Meanwhile, UK business PMI data outcome remained mixed. Yesterday, UK Services PMI dropped to 52.9 in May and Manufacturing PMI in the UK expanded to 51.3. in May which signalled encouraging revival of manufacturing accompanied by sustained, but slower, service sector growth. Today, the UK's Retails data will be the major data release from the UK region which may drive the Pound further. The GBPUSD may remain in a range between 1.2670 – 1.2720 levels.
- **USDJPY:** The Japanese yen fell to 157.09 against the US dollar, after the Japan's inflation eased slightly to 2.5% in April, lower than the 2.7% seen in March and marking a second straight month of slowing inflation, which the market speculation about a June Bank of Japan interest rate hike decision. For USDJPY, the range for the day will be 156.80 – 156.30.

Futures	Close	% Change
EURINR	90.23	-0.2350%
GBPINR	105.9	0.0992%
JPYINR	53.555	-0.3071%
USDINR	83.3025	-0.0420%



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## Upcoming major events

Time	Country	Events	Actual	Previous	Consensus
Friday, May 24, 2024					
5:00	Japan	Inflation Rate YoY (Apr)	-	2.70%	-
11:30	UK	Retail Sales MoM (Apr)	-	0%	-0.30%
18:00	USA	Durable Goods Orders MoM (Apr)	-	2.60%	-0.70%

## USD/INR Outlook &amp; Strategy

On Wednesday, the domestic currency pair USDINR extended its bearish sentiment for the third consecutive session and closed with the formation of a doji candlestick pattern on the daily chart. From a technical standpoint, USDINR failed to protect its previous swing low and breached it with high selling volumes on the daily chart, suggesting a negative bias. Additionally, the currency pair is trading below its short-term moving averages. Support for USDINR can be anticipated at the 83.18/83.10 levels. A breakdown below the 83.10 level could drag the pair towards the 83.00/82.85 levels. In contrast, resistance can be seen at the 83.30/83.46/83.61 levels. A break above 83.61 could lead the pair towards the 83.70/83.85 levels. Technically, the overall short-term trend of USDINR is likely to remain in consolidation mode with a negative bias.



## ➤ OUTLOOK:

Markets were surprised by the RBI's ability to deliver such a dividend. However, unless the Indian Rupee depreciates from its current levels, it will be challenging to replicate this performance in the future. This suggests that the RBI might allow the Rupee to depreciate if the Dollar strengthens. At present, the Rupee remains stable, and its current range is not under threat. The next key data point to watch is the US PCE inflation.

## ➤ RECOMMENDATION:

The above factors could influence the **USDINR pair, ranging between 83.00 and 83.40**. Exporters are advised to cover long-term hedges around **83.40 and beyond**. For Importers, it is recommended to cover near-term payable around **83.00 levels and below**.

## Today's Currency Trading Strategy

Currency Futures	Expiry	Action	Entry	Target	Stop loss
USD/INR	29th May 2024	Sell	below 83.30	83.26	83.32
EUR/INR	29th May 2024	Sell	below 90.20	90.00	90.30
GBP/INR	29th May 2024	Sell	below 105.90	105.70	106.00

## Day Trading Guide – Support &amp; Resistance

Pair	LTP	S2	S1	Pivot	R1	R2
EURINR	90.23	90.0667	90.1483	90.2817	90.3633	90.4967
GBPINR	105.9	105.5033	105.7017	105.9008	106.0992	106.2983
JPYINR	53.555	53.2517	53.4033	53.6017	53.7533	53.9517
USDINR	83.3025	83.1908	83.2467	83.2808	83.3367	83.3708

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