

Key Developments:

- **President Biden said that the US economy will likely see its fastest growth in four decades in the months to come, though the rate of expansion might not be smooth throughout.**
- **Federal Reserve members appeared to be downplaying the weak labour market report that was released in April. Chicago Federal bank President Charles Evans acknowledged that job numbers were surprising and it will take quite some time for Fed to see enough data to shift policy.**
- **At the same time, Federal Reserve Bank of Dallas President Robert Kaplan said that the labour market should make a strong recovery despite the weaker showing in April.**
- **San Francisco Federal reserve president Mary Daly said Fed policy is necessary to get economy back up and it is not yet time to talk about tapering QE.**
- **The ECB Chief Economist said that the central bank could revisit its weekly purchases under the Pandemic Emergency Purchases Program (PEPP) while Isabel Schnabel, member of executive board ECB said that the central bank will not adjust policy on this year's inflation spike.**
- **China's factory gate prices rose at the fastest rate in three and a half years during April, official data showed on Tuesday, as the world's second-largest economy continued to gather momentum following record-setting growth in the January-March quarter.**
- **South Korean President Moon Jae said on Monday that government will further boost fiscal spending if needed to increase jobs as country deals with worst unemployment rate in two decades. He further added that policies will focus on making sure the economy expands at more than 4%.**

Global Market Developments:

- **CH:** China CPI rose to 0.9% YoY in April from 0.4% in March, worse than 1.0% expected while PPI rose to 6.8% YoY in April from 4.4% in March, better than 6.5% expected.
- **US stock markets ended lower in the previous trading.** The Dow Jones (-0.10%) and S&P 500 (-1.04%) ended in red.
- **Asian stock markets are trading lower this morning.** Nikkei (-2.71%), Shanghai Composite Index (-0.84%), Australia ASX-200 (-1.11%), Kospi (-1.57%) and Hang Seng (-2.33%) are trading in red.
- **US treasuries are trading higher this morning.** The 10 Y US yield is trading at 1.591% vs the previous close of 1.602%.

Domestic market developments:

- **The Indian Rupee closed stronger at the 73.35 level against the US dollar in the previous trading session.**
- **The Indian bond markets closed flat with the yield on the 5.77% benchmark 10-year sovereign bond closing at the 6.01% in the previous session.**

	Remarks
DXY	The U.S. dollar (DXY) is trading flat at 90.26 level as investors continue to digest the much weaker than expected payrolls number. Falling real yields are weighing on the DXY. Investors will wait for the outcome of US inflation data before taking fresh positions but we see more downside bias in the DXY.
EUR/USD	The EUR/USD pair is trading 0.09% higher in today's session at 1.2140 responding to improving confidence indicators as was visible in the EU May Sentix Investor confidence survey that moved sharply higher and the weak USD trend in the global markets. More upside is possible in the near-term with German ZEW survey likely to work as an important catalyst in the near-term.
GBP/USD	The GBP/USD pair is trading flat in today's session at 1.4123 level amid the prevalent dollar's weakness and the favourable outcome of the UK local elections that has ruled out the possibility of a Scottish referendum. Meanwhile, the country reported zero new covid-related deaths for the first time in over a year along with falling infections rates.
USD/JPY	The USD/JPY pair is trading 0.11% higher at 108.89 level as helped by the rebound in US Treasury yields after Fed officials showed faith in the ongoing US economic recovery. In addition, extension of coronavirus lockdown weighed at the margin on the yen. Further, BoJ's summary of opinions highlighted that the risk to Japan's economy remain skewed to the downside.
USD/CNY	The USD/CNY pair is trading higher in today's session at 6.4232 level by 0.12%. China's inflation figures for April came out at: CPI 0.9% YoY (vs. expected 1.0%) & PPI 6.8% YoY (expected 6.5%). However, the pair is trading at its lowest level seen since 2018 as yield seeking has returned on the back of the dovish guidance provided by the Fed. Net FPI inflows in to the Chinese markets have been to the tune of USD 8.1 bn in April. Meanwhile, PBOC sets USD/ CNY central rate at 6.4254 (vs. yesterday at 6.4425).
AUD/USD	The AUD/USD pair is trading marginally higher in today's session at 0.7832 level by 0.02%. The pair dropped the most in a week the previous day after taking a U-turn from late February tops as optimism towards Fed policy continuation fizzled. Meanwhile, Australia's weekly consumer confidence came out at 111.6 (prior 112.7). Traders will watch for US key inflation data due this week. However, more upside cannot be ruled out in the near-term.
USD/CAD	The USD/CAD pair is trading marginally higher in today's session at 1.2099 level by 0.02%. The Canadian dollar rose on Monday to its highest level since mid-September 2017 against a broadly weak U.S. currency, boosted overall by firmer commodity prices and the Bank of Canada beginning to tighten its monetary policy.
Indian Equities	Benchmark equity indices are may open a tad higher today, with some volatility expected due to the expiry of April derivative series. The lifting of restrictions in EU might boost sentiments along with the opening up of vaccine registrations to 18-45 age group while concerns over the prolonged Covid19 second wave might weigh down on domestic market.
Indian Rupee	The Indian Rupee may open higher against US dollar today while developments over Covid19 front domestically could cause concern to the market. Purchases by importers may weigh in on the local currency. Persistent RBI intervention will work to limit any sharp upside in the Rupee.
India G-Sec	Government bond prices may open steady today as market participants may wait for the detail of bond purchases under the new plan. Growing inflation concerns globally could restrict any sharp downside emerging in government bond yields.
Oil (Brent) (USD/bbl)	Global crude oil prices settled higher on Monday after a major U.S. fuel pipeline said it could largely restart within the week after a cyberattack forced its shutdown. Potential U.S. demand growth boosted crude prices, offsetting fears that a resurgent coronavirus pandemic in India would cut demand in Asia. Colonial Pipeline, the largest fuel pipeline in the United States, expects to "substantially" restore operational service by the end of the week. Brent crude prices are trading at USD 67.79/barrel.
Gold (USD/oz)	Gold held firm near a three-month high on Monday after last week's miss on the U.S. jobs growth numbers weighed on the dollar and bolstered expectations that interest rates will remain low. U.S. nonfarm payrolls data showed jobs growth unexpectedly slowed in April, pushing the dollar to an over two-month trough, making gold less expensive for holders of other currencies. The lower-than-expected job numbers upset investors' hopes of a roaring recovery in the world's largest economy and that the U.S. Federal Reserve might tighten policy earlier than expected. Gold is trading at USD 1835.34/oz.

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