

KEY HEADLINES:

The Indian rupee ended flat on Wednesday due to limited risk appetite as traders awaited cues from two key events on Thursday - the Reserve Bank of India's (RBI) monetary policy decision and consumer inflation print in the United States.

The rupee at NSE Future 29 Aug ended flat to gain by 1 paise at 82.91 against previous close of 82.92 and after make low of 82.85 and high of 82.93. The rupee's Asian peers fared relatively better against the dollar with the Indonesian Rupiah and the Thai Baht both strengthening 0.16% against the dollar.

The local currency has hovered in a less-than-2% range between 81.50 and 83.00 against the U.S. dollar since February. Trading volumes and speculative interest in the Indian rupee plummeted over the last several months, as the central bank held the currency in a narrow range, leaving traders with little conviction on future direction. The open interest on USD/INR currency futures on the National Stock Exchange (NSE) declined more than 40% to \$4.6 billion from this year's peak of near-\$8 billion in January. In October 2022, when the rupee dropped to a record low, the open interest had climbed to \$8.8 billion.

Traders will now closely monitor U.S. inflation data and the RBI's monetary policy decision, both due on Thursday. The U.S. inflation figures, whether weaker or stronger than expected, will give a firmer handle on the possibility of another Federal Reserve rate hike. And while most market participants expect the RBI to hold rates steady, its commentary is what will be crucial, with some investors betting on one more rate hike this year.

The U.S. dollar drifted lower on Wednesday in thin range bound trading, with investors looking ahead to Thursday's U.S. consumer prices report for indications on where the Federal Reserve's monetary policy is headed. The greenback posted steeper losses earlier in the session, particularly after data showing the Chinese economy slipped into deflation last month. That raised the chances of China launching additional stimulus measures and nudged investors into risk assets. The dollar index slipped 0.1% to 102.46, partly reversing Tuesday's rise.

The key for the rupee and other emerging market currencies this year will be contingent on how the U.S. inflation and growth data shape up and how they affect the U.S. Federal Reserve rate expectations.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	USD	3.3%	3.0%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.92	82.65	82.10	83.15	83.60	BULLISH
EURINR FUTURE	91.05	90.80	90.25	91.50	92.25	SIDEWAYS
GBPINR FUTURE	105.57	105.15	104.50	106.0	106.55	BEARISH
JPYINR FUTURE	58.02	57.80	57.25	58.70	59.35	BEARISH

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