

KEY HEADLINES:

The Indian rupee strengthened against the U.S. dollar in the final minutes of trade on Thursday as the dollar weakened, and likely dollar sales by the Reserve Bank of India. The RBI was possibly selling dollars in the final minutes of trade, while foreign banks were also selling dollars following a correction in the dollar index.

The rupee at NSE Future 29 Aug ended strong by 21 paise at 82.70 against previous close of 82.91 and after make low of 82.69 and high of 82.90.

The Reserve Bank of India held its key lending rate steady as expected but moved to reduce the amount of cash in banking system as inflation concerns resurfaced following higher-than-usual seasonal spikes in food prices in recent weeks. The MPC, kept the repo rate unchanged at 6.50% in an unanimous decision. It was the third consecutive time that the committee decided to maintain rates. India has raised rates by 250 basis points (bps) since May 2022 in a bid to cool surging prices.

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.

The dollar fell on Thursday after data showed U.S. consumer prices rose modestly last month, while initial jobless claims gained in the latest week, reinforcing expectations the Federal Reserve will pause interest rate hikes at the next policy meeting. The dollar index was last down 0.5% at 102.01, while the euro rose 0.6% to \$1.1040. The yen, however, was a different story, slumping against major currencies.

US CPI rose 0.2% last month, matching the gain in June. The CPI climbed 3.2% in the 12 months through July, up from a 3.0% rise in June, which was the smallest year-on-year gain since March 2021. In the 12 months through July, core CPI grew 4.7% after rising 4.8% in June.

Futures on the benchmark fed funds rate have priced in a pause in rate hikes at the next meeting and for the rest of the year . The next possible move by the Fed is a rate cut in

May 2024, rate futures showed.

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
GDP m/m	GBP	0.2%	-0.1%	HIGH
PPI m/m	USD	0.2%	0.1%	HIGH
Prelim UoM Consumer Sentiment	USD	71.4	71.6	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.70	82.40	82.10	83.0	83.20	SIDEWAYS
EURINR FUTURE	91.24	90.80	90.25	91.50	92.25	BULLISH
GBPINR FUTURE	105.60	105.15	104.50	106.0	106.55	BULLISH
JPYINR FUTURE	57.71	57.25	56.70	58.50	59.35	BEARISH

Technical Research Analyst

Vibhu Ratandhara

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186