

KEY HEADLINES:

The Indian rupee spot against the US dollar end almost flat on Wednesday ahead of key US CPI number which influences FED to rake call on interest rate cycle while subdued dollar index and fall in Crude prices along with continue central bank intervention support domestic currency at every fall.

The rupee at NSE Future 26 Sep. ended Flat by 0 paise at 84.03 against previous close of 84.03 and after make low of 83.99 and high of 84.04. dollar-rupee forward premiums rose, with the one-year implied yield touching a 16-month peak of 2.25%, aided by a rise in the overnight swap rate and a decline in U.S. bond yields. Most Asian currencies rose, with the Philippine peso up 0.6% and leading gains.

Indian importers are exploring options strategies to hedge against currency risks amid muted volatility in the rupee, moving away from outright forwards that have become expensive. The dollar/rupee 1-year forward premium has jumped nearly 75 basis points in the last two months to a 16-month high, making it costlier to hedge future foreign currency payments.

Rupee stayed in a 20-paisa range over the last month. The Reserve Bank of India has on many occasions over the last month intervened near the current levels to prevent the rupee from dipping past 84. The rupee has been among the least volatile in the Asian currency space, thanks largely to RBI's intervention.

The U.S. dollar was mixed overall on Wednesday in choppy trading after data showed underlying inflation in the world's largest economy rose in August, reinforcing expectations that the Federal Reserve will likely undertake a smaller 25-basis-point interest rate cut next week.

The Federal Reserve is expected to cut interest rates next week for the first time in more than four years. What is still up for debate is the size of the rate cut.

The greenback posted gains against the Swiss franc, sterling, and euro, pushing the dollar index, a measure of the U.S. unit's worth against six major currencies, 0.1% higher on the day at 101.72. The dollar hit the day's high of 142.54 yen following the CPI numbers, before sliding 0.6% to 141.85

Data showed that the U.S. CPI gained 0.2% last month, matching the advance in July. In the 12 months through August, the CPI advanced 2.5%, the smallest year-on-year rise

since February 2021 and down from a 2.9% increase in July.

Fed fund futures reflected traders pricing a near 15% chance of a 50 basis point cut at the central bank's September meeting from 50% last week end, and with a 25-basis-point reduction having odds of 90%, according to CME FedWatch. Investors are currently pricing in 100 basis points of rate cuts by the Federal Reserve over 2024 and around 210 basis points of rate reductions are expected by the end of 2025.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Main Refinancing Rate	EUR	3.65%	4.25%	HIGH
New Loans	CNY	810B	260B	HIGH
PPI m/m	USD	0.1%	0.1%	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 26 Sep 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.03	83.70	83.0	84.15	84.60	BULLISH
EURINR FUTURE	92.85	92.70	91.75	93.55	94.0	BEARISH
GBPINR FUTURE	109.90	109.75	109.0	110.70	111.40	BEARISH
JPYINR FUTURE	59.34	58.50	58.0	59.80	60.50	BULLISH

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