

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar end at record closing low on Monday pressure by fall in Asian peers added by dollar demand from foreign banks and weak equity market despite likely central bank buying at lower level to cap losses in domestic currency offer support from sharp fall in Indian rupee.

The rupee at NSE Future 28 Aug. ended down by 1 paise at 84.0 against previous close of 83.99 and after make low of 83.96 and high of 84.0. Most Asian currencies fell 0.1% to 0.8%. Dollar-rupee forward premiums slipped, with the 1-year implied yield down 2 basis points at 2.02%.

India's retail inflation fell in July to a near five-year low, as food inflation eased from previous highs due to a base effect, government data showed on Monday. Annual retail inflation was 3.54% in July, down from 5.08% in June, lowest since August 2019 and against economists polled by Reuters had forecasted inflation at 3.65%, based on a higher print in July last year when inflation hit a 15-month peak of 7.44%.

India's industrial output grew at a lower-than-expected 4.2% year-on-year in June, hurt by weaker manufacturing growth, government data showed on Monday against economists polled by Reuters had expected growth of 5.5%. Industrial output growth was revised to 6.2% in May.

The Indian government's gross direct tax collections for April 1 to Aug. 11 rose 24% from the previous year to 8.13 trillion rupees (\$96.87 billion), a government statement said on Monday. Net direct tax collections, after adjusting for refunds, was 6.93 trillion rupees during the period, about 22.5% higher than last year, the statement said.

India's central bank could cut interest rates by 100 basis points in a monetary easing cycle that is likely to start in December as inflation eases towards its 4% target, a fixed income official at Bank of America, India said.

Despite the recent pressure on the rupee, the RBI's routine interventions have kept volatility expectations in check. The rupee's 1-month implied volatility is at 1.55 - 1.75%, hovering close to its lowest in nearly two decades.

The yen fell against the dollar on Monday in calmer currency market trading as investors weighed the odds of a deep Fed interest rate cut next month ahead of a slew of U.S.

economic data after volatile moves last week.

The dollar was trading at 147.10 yen , up 0.33%, and was flat on the Swiss franc, at 0.8661. The euro eased up 0.16% to \$1.0933 , while the dollar index fell to 103.10. Sterling stayed flat at \$1.2763.

Investor focus will now be on the U.S. consumer price inflation report for July due this week, as well as comments by Fed Chair Jerome Powell at the central bank's Jackson Hole Economic Policy Symposium on Aug. 22-24.

Fed fund futures reflected traders pricing a near 100% chance of a 50 basis point cut at the central bank's September meeting, according to CME FedWatch. Futures imply 106 basis points of cuts this year, LSEG data showed.

**Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact

New Loans	CNY	1280B	2130B	HIGH
PPI m/m	USD	0.2	0.2%	HIGH

**Support Resistance Levels – Currency Future: ( NSE CUR - 28 Aug 24)**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.0	83.60	83.0	84.50	85.10	BULLISH
EURINR FUTURE	91.79	91.50	89.90	92.20	93.0	BULLISH
GBPINR FUTURE	107.11	106.40	105.70	107.20	107.90	SIDEWAYS
JPYINR FUTURE	57.15	57.10	56.40	58.20	59.0	BULLISH

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