

KEY HEADLINES:

The Indian rupee ended higher on Tuesday on fall back in dollar index and inflow from list of initial offer in domestic market, but the recent price action signalled that the currency was unlikely to have much upside.

The rupee at NSE Future 29 Sep ended strong by 10 paise at 82.99 against previous close of 83.09 and after make low of 82.92 and high of 83.06. Asian currencies were quiet after Monday's volatility. The Chinese yuan and the Japanese yen were little changed following the rally.

India's retail inflation eased in August as food prices moderated, but remained above the upper end of the central bank's target band for a second consecutive month, as annual Retail inflation in August was 6.83%, compared with 7.44% in July - a 15-month high - according to data released by the ministry of statistics yesterday.

India's industrial output rose at its fastest pace in five months in July, helped by strong mining and electricity activity, as Industrial output rose 5.7% year-on-year in July, compared with a revised 3.8% in the prior month, data from the Ministry of Statistics showed yesterday. This was faster than the 4.8% predicted by a Reuters poll. In February, industrial output rose 5.8%.

The U.S. dollar index , which measures the currency against a basket of its peers, has surged 5% since late July and stands at its highest level in around half a year. The greenback's gains have pressured the currencies of the world's biggest economies, sending China Yuan to its lowest since December 2007 and spurring expectations for the Japanese government to intervene and prop up the battered yen.

Markets are pricing in a 93% chance of the Fed holding steady on rates this month, and over a 60% probability of no more hikes this year, the CME FedWatch tool showed.

United States will release inflation data Wednesday and the U.S. inflation print could be a notable trigger. Any upside surprises on U.S. inflation could reinforce that U.S. policy rates are likely to stay elevated, hurting currencies like the rupee. Aside from data on consumer prices due Wednesday, investors will also see producer prices and retail sales numbers on Thursday.



Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	USD	3.6%	3.2%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.99	82.75	82.45	83.30	84.0	BULLISH
EURINR FUTURE	89.01	88.90	88.0	89.75	90.50	BEARISH
GBPINR FUTURE	103.51	103.40	102.50	104.40	105.30	BEARISH
JPYINR FUTURE	56.79	56.60	56.0	57.35	57.85	BEARISH

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