

KEY HEADLINES:

The Indian rupee spot against the US dollar end almost flat near record low on Tuesday after trade in strict small range through out the day as supported by gain in Asian peers and likely central bank intervention at lower level while sentiment remain hurt due to dollar demand from foreign banks and weak equity market. Concerns about a slowdown in the U.S. and unwinding of carry trades had spurred a bout of volatility in global markets last week, which has now subsided.

The rupee at NSE Future 28 Aug. ended gain by 1 paise at 83.99 against previous close of 84.0 and after make low of 83.97 and high of 83.99. Most Asian currencies rose, with the Indonesian rupiah up 0.7% and leading gains. Dollar-rupee forward premiums ticked up, with the 1-year implied yield up 2 basis points at 2.04%.

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 dollar softened against the yen on Tuesday and was weaker against a basket of its peers in calmer trading, as markets await U.S. inflation data that could indicate the outlook for Federal Reserve interest-rate cuts.

Dollar/yen weakened after data showed U.S. producer prices increased less than expected in July as a rise in the cost of goods was tempered by cheaper services, indicating that inflation continued to moderate. Treasuries rallied, pushing yields lower after the PPI report.

The dollar index fell 0.5% to 102.56, with the euro up 0.61% at \$1.0999.

Sterling rose 0.81% to \$1.2869, with data earlier in the session showing the UK's jobless rate fell to 4.2% in June from 4.4% in May, defying economists' expectations of a slight rise. Job vacancies declined while wage growth slowed.

Investor focus will now be on the U.S. consumer price inflation report for July due Wednesday, 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

Official Cash Rate	NZD	5.50%	5.50%	HIGH
CPI m/m	USD	0.2%	-0.1%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.99	83.60	83.0	84.50	85.10	BULLISH
EURINR FUTURE	91.78	91.50	89.90	92.20	93.0	BULLISH
GBPINR FUTURE	107.34	106.70	106.40	107.70	108.25	BULLISH
JPYINR FUTURE	56.98	56.90	56.40	58.20	59.0	SIDEWAYS

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