

KEY HEADLINES:

- The dollar fell against major currencies on Tuesday after data showed a less-than-expected rise in U.S. inflation last month, creating uncertainty about the timing of the Federal Reserve’s tapering of asset purchases.
- Several Fed officials have suggested the U.S. central bank could reduce its buying of debt securities by the end of the year, but said an eventual interest rate hike would not happen for some time.
- The Fed will hold a two-day monetary policy meeting next week, with investors keen to find out whether a tapering announcement will be made. Tapering tends to benefit the dollar as it suggests the Fed is one step closer toward tighter monetary policy. It also means the central bank will be buying fewer debt assets, effectively reducing the number of dollars in circulation.
- Data on Tuesday showing the U.S. consumer price index, excluding the volatile food and energy components, edged up just 0.1% last month has raised doubts about tapering this year. August’s core CPI rise was also the smallest gain since February and followed a 0.3% rise in July. The so-called core CPI increased 4.0% on a year-on-year basis after gaining 4.3% in July.
- In afternoon trading, the dollar index was slightly down at 92.601, moving away from a more than a two-week high on Monday.
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Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Retail Sales y/y	CNY	6.9%	8.5%	HIGH
CPI y/y	GBP	2.9%	2.0%	MEDIUM
Industrial Production m/m	USD	0.5%	0.9%	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	73.79	73.55	73.10	74	74.30	BULLISH
EURINR FUTURE	87.17	86.85	86.55	87.40	87.70	SIDEWAYS
GBPINR FUTURE	102.29	101.95	101.55	102.50	103	BULLISH
JPYINR FUTURE	67.03	66.90	66.35	67.20	67.50	BEARISH

RESEARCH BONANZA
FOREIGN CURRENCY SEGMENT
ANALYST: VIBHU RATANDHARA

Disclosure:

Bonanza Research Team2

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Bonanza Portfolio Ltd. Bonanza House, Plot No.M-2, Cama Industrial Estate.Walbhat Road, Goregaon (E), Mumbai

– 400063 Web site: <https://www.bonanzaonline.com>

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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

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