

KEY HEADLINES:

The Indian rupee spot against the US dollar end almost flat near record low on Wednesday and erode all gains of early of the day due to dollar demand from importers as well foreign banks and likely outflow due to weak equity sentiment while early in the day rupee gain tracking firm Asian peers and overnight fall in dollar index added by likely central bank intervention at every dip. Also, 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 3 paise at 83.96 against previous close of 83.99 and after make low of 83.92 and high of 83.98. Most Asian currencies rise, with the Indonesian rupiah's 1% increase leading. Meanwhile, dollar-rupee forward premiums jumped with the 1-year implied yield touching a 15-month peak of 2.10%, up 6 basis points from the previous session.

India's wholesale price inflation slowed in July mainly due to a fall in vegetable prices, government data released on Wednesday showed. The WPI rose 2.04% in July from a year earlier, compared with a 3.36% rise in June and against economists polled by Reuters had expected a 2.39% gain during the month.

India's trade deficit widened in July, hurt by weak exports, government data showed on Wednesday, amid renewed doubts about the resilience of the global economy. The merchandise trade deficit was \$23.5 billion in July, higher than economists' expectation of \$21.35 billion, according to a Reuters poll. In June, the trade deficit was \$20.98 billion. India's merchandise exports were \$33.98 billion in July, while imports were \$57.48 billion, the data showed. In June, merchandise exports were \$35.20 billion, while imports were \$56.18 billion.

India's services exports, however, held steady during in July. Services exports were \$28.43 billion in July, while services imports were \$14.55 billion, compared with \$28.82 billion and \$15.02 billion, respectively, in June.

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 earlier.

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 lost ground against its major peers on Wednesday, helping the euro to an eight-month peak, as the U.S. consumer price index showed inflation is subsiding, reinforcing expectations that Federal Reserve interest rate cuts are near.

U.S. CPI rose moderately in July and the annual increase in inflation slowed to below 3% for the first time since early 2021, adding to expectations for a rate cut next month, though likely less aggressive than markets hoped for.

The euro rose 0.4% against the greenback to \$1.1031, surpassing the high hit during the market turmoil last week and was trading at its strongest level since Jan. 2. The dollar index fell 0.2% to 102.4.

The kiwi was last down 0.91% at 0.6022, after the Reserve Bank of New Zealand reduced the cash rate by a quarter point, its first easing since early 2020 and coming a year earlier than its own projections.

Meanwhile, Japanese Prime Minister Fumio Kishida's decision to not run for reelection in his party's leadership race next month had little effect on markets, the yen was last trading at 146.7 against the dollar.

Investor focus will now be on 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 56% chance of a 50 basis point cut at the central bank's September meeting from 53% day earlier, 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
Retail Sales m/m	GBP	0.6%	-1.2%	HIGH
Prelim UoM Consumer Sentiment	USD	66.7	66.4	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.96	83.60	83.0	84.50	85.10	BULLISH
EURINR FUTURE	92.48	91.90	91.40	92.70	93.50	BULLISH
GBPINR FUTURE	107.80	107.10	106.40	107.90	108.70	BULLISH
JPYINR FUTURE	57.30	56.90	56.40	58.20	59.0	SIDEWAYS

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