

KEY HEADLINES:

The Indian rupee slipped to a near 10-month low on Monday, tracking a stronger dollar (at 5-week high) which led to losses across Asian currencies, but likely dollar sales by the country's central bank capped losses.

The rupee at NSE Future 29 Aug ended strong by 21 paise at 82.70 against previous close of 82.91 and after make low of 82.69 and high of 82.90. The unit had fallen to 83.19 intraday, the lowest since mid Oct last year, but trimmed losses on dollar sales by state-run banks, likely on behalf of the Reserve Bank of India (RBI). Asian currencies lost between 0.1% to 0.7%, while the offshore Chinese yuan was down to 7.28, its lowest in more than a month on the back of higher U.S. Treasury yields. USD/INR forward premiums dropped, with the one-year implied yield down four basis points to 1.58%.

India's annual retail inflation in July rose to its highest in 15 months as vegetable and cereals prices skyrocketed, as annual retail inflation rose sharply to 7.44% in July from 4.87% the previous month and highest since April 2022 against a Reuters poll of 53 economists had forecast a rate of 6.40%. The figures breached the upper end of the central bank's inflation band of 2%-6% for the first time in five months. Cereal inflation in July increased to 13.04% from 12.7% in June.

India's merchandise trade deficit in July stood at \$20.67 billion, according to a Reuters calculation based on export and import data released by the government as Merchandise exports stood at \$32.25 billion, while imports were \$52.92 billion in July.

India's wholesale price index fell 1.36% year-on-year in July, but the decline was smaller than expected because of higher prices for food and some commodities. Economists polled by Reuters had estimated the wholesale price index for July would fall 2.70%. It fell 4.12% in June.

The dollar index rose 0.213% at 103.420 after the release of the Federal Reserve's minutes showed central bank officials were divided over the need for more interest rate hikes at their last meeting. The euro was down 0.22% to \$1.08795. The Japanese yen further weakened against the dollar on Wednesday, hovering in a zone that last year triggered intervention, while the yuan slipped to a nine-month low as fears mounted about the extent of China's slowdown.

Futures on the benchmark fed funds rate have priced in a pause in rate hikes at the next meeting and for the rest of the year . The next possible move by the Fed is a rate cut in

May 2024, rate futures showed.

The key for the rupee and other emerging market currencies this year will be contingent on how the U.S. inflation and growth data shape up and how they affect the U.S. Federal Reserve rate expectations.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Unemployment Claims	USD	240K	248K	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.13	82.85	82.10	83.20	84.0	BULLISH
EURINR FUTURE	91.0	90.25	89.70	91.40	92.0	SIDEWAYS
GBPINR FUTURE	105.53	105.0	104.50	106.0	106.55	BULLISH
JPYINR FUTURE	57.48	57.25	56.70	58.0	59.50	BEARISH

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