

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar end Unchanged on Monday as on one side rupee gain from fall in dollar index towards 1-year low and record equity market as well fall in Crude prices while other side dollar demand from importers pressure rupee appreciation and end almost flat.

The rupee at NSE Future 26 Sep. ended gain by 3 paise at 83.92 against previous close of 83.95 and after make low of 83.90 and high of 83.95. The rupee is nearly flat over September so far even as most of its Asian peers have strengthened between 0.3% and 2.8%. Dollar-rupee forward premiums have benefited from the higher interest rate cut hope, with the 1-year implied yield rising 3 basis points to 2.30%, its highest since April 2023.

The focus this week squarely lies on whether the Fed will cut rates by 25 or 50 basis points. Interest rate futures currently signal a near 60% chance of the latter, up from 30% last week, according to CME's FedWatch tool. The Fed had been widely expected to announce at least a 25-basis-point cut to interest rates at the conclusion of its September policy meeting on Wednesday.

The Bank of England and the Bank of Japan will also deliver policy decisions later this week. BOJ is expected to keep its short-term policy rate target steady at 0.25%, having raised rates twice already this year. The Bank of England is expected to hold its key interest rate at 5% on Thursday, after kicking off its easing with a 25-bp reduction in August. Futures markets were pricing in around a 35.9% chance of a quarter-point rate cut on Thursday, versus a 20% chance on Friday.

The U.S. dollar fell to a more than one-year low versus the yen on Monday, as expectations increased that the Federal Reserve could deliver a supersized cut to interest rates later this week.

The dollar traded as low as 139.58 yen in Asia hours, which was the lowest since July 2023. It was last down 0.10% at 140.690 yen. The dollar index, was down 0.29% to 100.73. Benchmark 10-year yields are down 30 basis points in about two weeks. Two-year yields, more closely linked to monetary policy expectations, fell 2.5 basis points to 3.5509% and down from roughly 3.94% two weeks ago. Sterling rose 0.64% to \$1.3206. The euro was up 0.42% at \$1.1123.

Fed fund futures reflected traders pricing a near 60% chance of a 50 basis point cut at the central bank's September meeting from 35% last week end, and with a 25-basis-point reduction having odds of 90%, according to CME FedWatch. Investors are currently pricing in 100 basis points of rate cuts by the Federal Reserve over 2024 and around 210 basis points of rate reductions are expected by the end of 2025.

**Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact

Retail Sales m/m	USD	-0.2%	1.0%	HIGH

**Support Resistance Levels – Currency Future: ( NSE CUR - 26 Sep 24)**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.92	83.70	83.0	84.15	84.60	SIDEWAYS
EURINR FUTURE	93.25	92.50	91.75	93.55	94.0	BULLISH
GBPINR FUTURE	110.72	110.0	109.50	111.30	112.0	BULLISH
JPYINR FUTURE	60.0	59.35	58.60	60.20	61.0	BULLISH

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