

## **KEY HEADLINES:**

The Indian rupee dropped on Monday and was poised to record a monthly decline on the back of a central bank that seemingly does not want the currency to appreciate much. The RBI's determination offset the foreign equity inflows of more than \$5.5 billion and a weaker dollar index.

The rupee at NSE Future 29 Aug ended weak by 4 paise at 82.32 against previous close of 82.28 and after make low of 82.28 and high of 82.37. Other USD/INR forward premiums barely changed month-on-month, with the 1-year implied yield at 1.66% amid possible sell/buy swaps by the RBI and a dovish Fed outlook.

A rise in oil prices was cited another reason for the rupee's fall this month. Brent crude futures, up about 12.5% this month, are headed for their best performance in more than a year.

The rupee down almost 0.3% in July against dollar index down almost 1%.

India's fiscal deficit for the first three months of the financial year that started April 1 touched 4.51 trillion Indian rupees (\$54.86 billion), 25.3% of annual estimates, government data showed.

India's infrastructure output expanded 8.2% year-on-year in June, its fastest pace in five months, as the sector was buoyant, government data showed.

India is likely to receive below-average rainfall in August due to the El Nino weather pattern, a senior weather department official said on Monday, after an above-average monsoon in July helped farmers accelerate crop planting.

The dollar edged higher on Monday after a survey from the Federal Reserve showed U.S. banks reported tighter credit standards and weaker loan demand during the second quarter, a sign rising interest rates are having an impact on the economy. The dollar index, rose 0.24% after trading little changed earlier in the session. The euro retreated from early gains after data showed economic growth in Europe nudged higher and inflation ticked lower. The euro was last down 0.15% to \$1.0998.

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
Cash Rate	AUD	4.35%	4.10%	HIGH
ISM Manufacturing PMI	USD	46.9	46.0	HIGH
JOLTS Job Openings	USD	9.61M	9.82M	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.32	82.10	81.75	82.45	82.90	BULLISH
EURINR FUTURE	90.88	90.25	89.50	91.50	92.10	BEARISH
GBPINR FUTURE	105.87	104.95	104.0	106.60	107.40	BULLISH
JPYINR FUTURE	58.20	58.10	57.25	59.35	60.25	BEARISH

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