

KEY HEADLINES:

The Indian rupee against the US dollar end flat after hit record low on Wednesday after trading between small trading range due to consistent dollar demand from OMC on month end payment added by outflows from equity and volatility in Yuan pressure rupee lower side while fall n dollar index and likely intervention from RBI help to avert further losses.

The rupee at NSE Future 28 Aug. ended gain by 1 paise at 83.78 against previous close of 83.79 and after make low of 83.76 and high of 83.82. Rupee spot hit lifetime lows in six of the last 8-trading sessions and was down about 0.4% in July, its worst month-on-month performance since March. Asian currencies rose, with the Japanese yen gaining by more than 1% after the Bank of Japan raised interest rates and unveiled a plan to taper its huge bond-buying programme. The rally in the yen also helped lift the offshore Chinese yuan, one of the rupee's closely tracked peers, by 0.3% to 7.21.

The Federal Reserve held interest rates steady on Wednesday but opened the door to reducing borrowing costs as soon as its next meeting in September as inflation continues coming into line with the U.S. central bank's 2% target. Inflation, the Fed said, was now just "somewhat elevated," a key downgrade from the assessment that it has used throughout much of its battle against rising prices that it was "elevated." The central bank uses the personal consumption expenditures price index for its 2% annual inflation target. The PCE price index rose 2.5% in June after exceeding 7% in 2022.

India received 9% more rainfall than average in July as the monsoon covered the entire country ahead of schedule, delivering heavy rain in central and southern states, weather department data showed on Wednesday. In July, southern and central regions of the country received nearly a third more rainfall than the average, while east and north-eastern regions received 23.3% less rainfall, according to the IMD. The north-western part of the country got 14.3% less rainfall than average. The surplus rainfall in July helped erase June's rainfall deficit of 10.9%, and the country has received 1.8% more rainfall since the start of the monsoon season on June 1.

India's infrastructure output in June rose 4% year-on-year, its slowest pace in nearly two years, government data showed on Wednesday, with monsoons moderating electricity demand.

India's fiscal deficit for the first quarter of the financial year that started in April was

1.36 trillion rupees (\$16.25 billion), or 8.1% of the estimate for the whole year, government data showed on Wednesday.

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 slightly pared losses on Wednesday after the Federal Reserve held interest rates steady but opened the door to reducing borrowing costs as soon as its next meeting in September, as was widely expected.

The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, was last down 0.1% on the day at 104.34, with the euro falling 0.08% to \$1.0806. The greenback was also down 1.02% at 151.2 Japanese yen.

The Bank of Japan's move to raise interest rates to their highest in 15 years has jolted the yen to its strongest against the dollar since March and left it poised for further gains, as investors reassess carry trades, once the year's favoured play.

Markets are currently pricing in a 94.4% chance of a rate cut of at least 25 basis points (bps) from the Fed in September, according to CME's FedWatch Tool, and a total 70 bps cut is expected by December.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Official Bank Rate	GBP	5.00%	5.25%	HIGH
ISM Manufacturing PMI	USD	48.8	48.5	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.78	83.50	83.20	83.90	84.55	BULLISH
EURINR FUTURE	90.88	90.45	89.50	91.50	92.30	BEARISH
GBPINR FUTURE	107.60	107.0	106.0	108.25	108.70	BEARISH
JPYINR FUTURE	55.82	55.0	54.20	56.0	56.60	BULLISH

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