

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply lower on Wednesday, its worst single day fall in nearly 2-Months as rebound in dollar index after previous week fall and dollar demand from importers as well foreign banks pressure domestic currency while other side likely Central bank buying support rupee to hit record low and gain in domestic equity market which might increase inflows supports rupee at lower level. Outflows also pressure rupee as overseas investors have net sold \$2.5 billion of Indian stocks over August so far.

The rupee at NSE Future 28 Aug. ended fall by 15 paise at 83.94 against previous close of 83.79 and after make low of 83.82 and high of 83.95. The local currency has weakened 0.2% over August so far even as its Asian peers have rallied on the back of a near 2.5% fall in the dollar index.

Federal Reserve officials last month were strongly leaning toward an interest rate cut at their September policy meeting and several of them would have even been willing to reduce borrowing costs immediately, according to the minutes of the July 30-31 gathering. At the July meeting, "the vast majority" of policymakers "observed that, if the data continued to come in about as expected, it would likely be appropriate to ease policy at the next meeting," said the minutes, which were released on Wednesday. They also noted "many" Fed officials viewed the stance of rates to be restrictive and "a few participants" contended that amid an ongoing cooling in inflationary pressures, no change in rates would mean that monetary policy would increase the drag on economic activity.

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 fell to a more than one-year low against the euro and sterling on Wednesday after data showed employers added 818,000 fewer jobs in the year to March 2024 than previously thought.

The dollar index was last down 0.16% at 101.22, the lowest since Dec. 29. The euro rose 0.11% to \$1.1142, the highest since July 2023. Sterling strengthened 0.36% to \$1.3076, also the highest since July 2023. The dollar weakened 0.05% to 145.18 Japanese yen , the lowest since August 7.

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 33% chance of a 50 basis point cut at the central bank's September meeting from 50% week ago, with a 25-basis-point reduction having odds of 67%, according to CME FedWatch. Investors are currently pricing in 95 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.

In cryptocurrencies, bitcoin rose 0.31% to \$59,498.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Flash Manufacturing PMI	GBP	52.1	52.1	HIGH

Flash Manufacturing PMI	USD	49.5	49.6	HIGH
Jackson Hole Symposium	USD			HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.94	83.60	83.0	84.10	84.50	BEARISH
EURINR FUTURE	93.34	92.70	91.90	93.70	94.50	BULLISH
GBPINR FUTURE	109.51	108.60	107.90	110.0	110.70	BULLISH
JPYINR FUTURE	57.32	56.80	56.30	57.70	58.20	BULLISH

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