

KEY HEADLINES:

The Indian rupee against the US dollar end higher on Thursday as rally in China Yuan and likely intervention by central bank after record low hit previous day support domestic currency ahead of key US economic data despite likely outflow from weak equity market after budget propose to hike in taxes.

The rupee at NSE Future 28 Aug. ended down by 1 paise at 83.81 against previous close of 83.80 and after make low of 83.73 and high of 83.82. The Indian central bank likely to intervened in both the local spot and non-deliverable forward market to help the rupee hold above its record low. The offshore Chinese yuan rose to its highest level since May lifted by a rise in the Japanese yen and dollar sales from major Chinese state-owned banks.

Outflows of nearly \$1 billion from local equities after the government raised taxes on derivatives trades and on capital gains from equity investments has pressured the rupee in recent trading sessions.

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 1.75%, hovering close to its lowest in nearly two decades.

The Japanese yen rallied for a fourth straight session against the dollar on Thursday, hitting a 2-1/2-month high, as investors unwound their long-running bets against the currency ahead of a Bank of Japan meeting next week. The dollar, however, trimmed losses against the yen and euro after data showed the world's largest economy expanded faster than expected and inflation slowed in the second quarter, disputing brewing expectations of a larger than expected rate cut in September, or Federal Reserve easing at next week's meeting.

The greenback was last down 0.1% on the day at 153.63 yen. The euro was slightly up against the dollar at \$1.0852 , with the dollar index down 0.1% at 104.27 . The index was at 104.21 just before the data release.

Advance estimates showed that U.S. gross domestic product (GDP) grew at a **2.8% annualized** rate in the last quarter. Economists polled by Reuters had forecast GDP rising at a 2.0% rate. The personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased at a **2.9%** rate after

surging at a 3.7% pace in the first quarter. The only blemish, however, was the U.S. durables report, which showed durable goods orders fell 6.6% in June, compared with expectations for a 0.3% rise.

The main macro news of the week comes Friday with the Personal Consumption Expenditures Price Index, which the Federal Reserve relies on to gauge inflation. Investors also looked to next week's crucial monetary policy meetings at the Federal Reserve, which could signal when the first interest rate cut would be, and the Bank of Japan, which could raise interest rates. The FOMC will meet on July 30, a day before the Bank of Japan.

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.

The rate futures market has priced in a 67.2% chance that the BOJ will raise rates next week, up from about 40% earlier in the week, according to LSEG estimates.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Core PCE Price Index m/m	USD	0.2%	0.1%	HIGH

Revised UoM Consumer Sentiment	USD	66.3	66.0	HIGH
G20 Meetings				HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.81	83.50	83.20	83.85	84.55	BULLISH
EURINR FUTURE	90.86	90.45	89.50	91.50	92.30	BEARISH
GBPINR FUTURE	107.85	107.0	106.0	108.70	109.50	BULLISH
JPYINR FUTURE	55.04	54.40	53.70	55.10	55.60	BULLISH

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