

KEY HEADLINES:

The Indian rupee on Tuesday managed to find support and manage to close in green after having opened on a weaker note on the back of a broadly higher U.S. dollar.

The rupee at NSE Future 29 Aug ended Flat by 0 paise at 82.32 against previous close of 82.32 and after make low of 82.30 and high of 82.40. The USD/INR overnight cash swap rate was at 0.20 paisa, implying a rupee yield of 6.15%, about 25 basis points lower than the rupee call rate. The Chinese yuan and other Asian currencies declined and the dollar index reached the highest in three weeks. The unexpected contraction in China's manufacturing activity pulled the yuan and the rest of the Asian currencies lower.

Growth in India's manufacturing activity eased in July for a second month, with some moderation in output and new orders, although the pace of expansion remained healthy, a private business survey showed on Tuesday. The Manufacturing PMI, compiled by S&P Global, dipped to 57.7 last month from June's 57.8 but was slightly higher than the Reuters poll expectation for 57.0.

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

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 advanced against major currencies on Tuesday after relatively solid data on U.S. manufacturing and construction in June offset a decline in job openings last month to the lowest level in more than two years. The dollar index, a measure of the greenback against six major currencies, rose 0.422% to a fresh 3-week high. The euro fell 0.24% to \$1.0967 as markets now price in a pause in rate hikes by the European Central Bank.

While an ISM survey offered a tough assessment of U.S. manufacturing conditions, so-called hard data suggest the sector is getting by. Meanwhile, US construction spending increased solidly last month and May's data was revised higher, boosted by outlays in both single and multifamily housing projects. In a third data set, the monthly Job Openings and Labor Turnover Survey, or JOLTS report from the Labor Department, remained consistent with tight labor market conditions despite the Fed's hefty interest rate hikes to dampen demand.

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
ADP Non-Farm Employment Change	USD	191K	497K	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	90.46	90.25	89.50	91.10	91.50	BEARISH
GBPINR FUTURE	105.32	104.95	104.0	106.0	106.55	BEARISH
JPYINR FUTURE	57.93	57.85	57.25	58.70	59.35	BEARISH

Technical Research Analyst

Vibhu Ratandhara

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:
<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186