

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply lower on Monday with forward premium also decline tracking fall in Asian peers and recovery in dollar index added by dollar demand from foreign bank capped domestic currency under check despite expected inflows after domestic equity register record high and soft crude oil prices support rupee at lower level.

The rupee at NSE Future 26 Sep. ended down by 10 paise at 83.99 against previous close of 83.89 and after make low of 83.92 and high of 84.0. Most Asian currencies were down between 0.2% and 0.5%.

India's manufacturing activity growth eased to a 3-month low in August as demand softened significantly, a private-sector survey showed on Monday, casting another shadow over the otherwise robust economic outlook. The HSBC final India Manufacturing PMI, compiled by S&P Global, fell for a second month in August, dropping to 57.5 from July's 58.1 and against expected of 57.9.

Traders await the U.S. ISM manufacturing and services prints, along with the JOLTS job openings, ADP private payrolls and the weekly jobless claims and Non Farm data due this week, which gives some direction to FED decision for size of rate cur in next meeting. The highly-anticipated non-farm payrolls report is due on Friday. And Considering all the data that is lined up, this is a "make-or-break week" for the dollar.

Despite its Asian peers having risen between 0.2% and 5% over August, the rupee's gains have largely proven to be fleeting even as the dollar has dropped 3% this month in the lead up to rate cuts kicking off in the US next month. Also, routine interventions by the Reserve Bank of India (RBI) this month have ensured that the rupee does not fall to 84, a psychological support level for the currency. Strong dollar demand from importers and outflows from equities have both contributed to limiting the rupee's gains in recent sessions,

The dollar edged down on Monday but remained within striking distance of its highest level in almost two weeks as investors' focus moved to a U.S. jobs report due at the end of this week. The greenback had earlier advanced to its strongest since Aug. 20, buoyed by a rise in long-term Treasury yields to the highest since mid-August as inflation data pointed to a smaller rate cut.

The dollar index measure against six major peers weakened by 0.08% to 101.67, after

hitting 101.79, a level not seen since Aug. 20. The euro firmed 0.2% to \$1.1060, after hitting \$1.1043, its lowest since Aug. 19. The dollar rose 0.40% to 146.74 yen. Treasury bonds won't trade on Monday due to the U.S. holiday, but the 10-year yield stood at 3.9110% following a 4.4-bp rise on Friday.

For the month of August, however, the greenback has fallen 3.4%, its worst monthly decline since November 2023. It reached a 13-month low of 100.51 in the previous session, weighed down by a recent sharp re-evaluation of expectations for Fed rate cuts.

Fed fund futures reflected traders pricing a near 30% chance of a 50 basis point cut at the central bank's September meeting down from 35% last week end, with a 25-basis-point reduction having odds of 70%, according to CME FedWatch. Investors are currently pricing in 100 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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
ISM Manufacturing PMI	USD	47.5	46.8	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 26 Sep 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.99	83.70	83.0	84.15	84.60	SIDEWAYS
EURINR FUTURE	93.0	92.80	91.75	93.90	94.50	SIDEWAYS
GBPINR FUTURE	110.25	110.10	109.40	111.30	112.0	BEARISH
JPYINR FUTURE	57.60	57.50	56.70	58.30	58.85	SIDEWAYS

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