

KEY HEADLINES:

The Indian rupee fell for a 3rd straight session on Thursday, weakening to its lowest level in two-and-a-half months, tracking broad losses in Asian peers amid surge in dollar index, but likely dollar sales by the country's central bank capped losses in the currency.

The rupee at NSE Future 29 Aug ended sharp fall by 16 paise at 82.79 against previous close of 82.63 and after make low of 82.69 and high of 82.87. Most Asian currencies and equities extended losses after a selloff in U.S. equities on Wednesday on risk off fuelled by ratings agency Fitch downgrading the U.S. credit rating. Indian equities also extended Wednesday's losses. Apart from the U.S. credit downgrade, the jump in U.S. private payrolls also led to a rise in Treasury yields.

India's dominant services sector expanded at its fastest pace in 13 years last month as demand increased significantly despite elevated inflationary pressures, as S&P Global's India services PMI rose to 62.3 in July from June's 58.5, confounding expectations in a Reuters poll for a dip to 58.0. It was the highest index reading since June 2010 and has remained above the 50-mark that separates growth from expansion for two years.

S&P Global on Thursday projected the Indian economy to grow by an average annual rate of 6.7% to March 2031, driven by manufacturing and services exports and consumer demand, despite short-term challenges from rate hikes and a global slowdown.

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

The dollar slid from a four-week peak on Thursday after U.S. labor market data failed to impress a day before a key jobs report, and as Treasury yields rose but eased at the short end. The dollar index, which measures the currency against six major peers, fell 0.039%. The euro rose 0.04% to \$1.094, while the Aussie hit a two-month low of \$0.6514.

Nonfarm-productivity rose to an annualized 3.7% to help curb growth in labor costs and aid an improving U.S. inflation outlook. But labor productivity has grown at a 1.4% rate since the fourth quarter of 2019, well below the long-term average since 1947 of 2.1%.

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 |
|----------------------------|----------|----------|----------|--------|
| Non-Farm Employment Change | USD | 205K | 209K | HIGH |
| Unemployment Rate | USD | 3.6% | 3.6% | HIGH |
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Support Resistance Levels – Currency Future:

| Currency | LTP | S1 | S2 | R1 | R2 | Trend |
|---------------|--------|--------|--------|-------|--------|---------|
| USDINR FUTURE | 82.79 | 82.10 | 81.75 | 82.90 | 83.15 | BULLISH |
| EURINR FUTURE | 90.60 | 90.25 | 89.50 | 91.10 | 91.50 | BEARISH |
| GBPINR FUTURE | 104.75 | 104.50 | 103.50 | 106.0 | 106.55 | BEARISH |
| JPYINR FUTURE | 58.21 | 57.80 | 57.25 | 58.70 | 59.35 | BEARISH |

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