

KEY HEADLINES:

The Indian rupee spot against the US dollar end at record closing low on Thursday & little change versus previous day close as pressure seen from consistent dollar demand from importers & foreign banks added by weak Asian peers and recovery in dollar index makes domestic currency under check. However lower side support seen from expected inflows from domestic equity market after register record high recently, soft crude oil prices and Central bank regular intervene limit down side for domestic currency.

The rupee at NSE Future 26 Sep. ended gain by 4 paise at 84.02 against previous close of 84.06 and after make low of 84.01 and high of 84.05. Intraday volatility was muted, similar to the activity in recent sessions, with the local currency trading in a 4 paisa range.

US Friday's Non Farm data will decide whether the Fed will cut rates by 25 bps or 50 bps at the Sept 17-18 meeting. Right now, the futures market indicates that it is a toss-up. Overseas options market shows traders are preparing for potentially big moves in currencies on Friday. Overnight implied options volatility - a measure of demand for protection - is at its highest since the banking crisis of March 2023 for the euro and at its highest in a year for the yen.

Despite the moderation seen in India's Q1 - GDP, its likely to achieve full year growth of 7.2% as projected, the Reserve Bank of India Governor Shaktikanta Das said on Thursday. "Fundamental growth drivers of the Indian economy are not slowing, they are gaining momentum and this gives us confidence to say that the Indian growth story remains intact," Das said in a speech at the annual FIBAC banking conference. Das said agriculture should perform better during the rest of the year due to a good monsoon and aid a further pick-up in rural demand, while strong investment activity would also see a further boost from government capex picking up pace.

Rupee stayed in a 20-paisa range over the last month. The Reserve Bank of India has on many occasions over the last month intervened near the current levels to prevent the rupee from dipping past 84. The rupee has been among the least volatile in the Asian currency space, thanks largely to RBI's intervention.

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 was little changed against most majors on Thursday in choppy trading after economic data offered some relief over the health of the U.S. economy to a market looking for clues about the path of the Federal Reserve rate cuts.

U.S. services sector activity was steady in August, but employment gains slowed, remaining consistent with an easing labor market. Meanwhile, U.S. private jobs growth hit a 3-1/2-years low in August and data for the prior month was revised lower, potentially hinting at a sharp labor market slowdown.

The dollar was last up 0.1% against the yen at 143.85. The dollar index, which measures the U.S. currency against six rivals, was flat at 101.27. The euro was also little changed at \$1.1087, and sterling rose 0.1% , to \$1.3161. In other currencies, the New Zealand dollar rose 0.1% to US\$0.6207, while the Chinese yuan was last seen at 7.0948 per dollar.

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 39% chance of a 50 basis point cut at the central bank's September meeting from 35% last week end, and with a 25-basis-point reduction having odds of 75%, 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
Non-Farm Employment Change	USD	164K	114K	HIGH
Unemployment Rate	USD	4.2%	4.3%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.02	83.70	83.0	84.15	84.60	BULLISH
EURINR FUTURE	93.29	92.75	91.75	93.35	93.90	BULLISH
GBPINR FUTURE	110.58	110.0	109.40	110.70	111.40	SIDEWATS
JPYINR FUTURE	58.59	58.0	57.50	58.85	59.50	BULLISH

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