

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar end higher on Monday supported by rally in Asian peers and fall in dollar index added by last week rally in equity hope more funds inflows at the time when FED expected to cut rate in next month meeting which makes domestic currency neat 2-week high. Despite the uptick on Monday, the rupee's recent gains have largely been shallow due to outflows from local equities and strong dollar demand from local corporate. Overseas investors have net sold \$2.5 billion of Indian stocks over August so far.

The rupee at NSE Future 28 Aug. ended gain by 7 paise at 83.89 against previous close of 83.96 and after make low of 83.86 and high of 83.95. A broadly weaker dollar helped lift Asian currencies, which were up by 0.4% to 1.1%.

India's central bank could cut interest rates by 100 basis points in a monetary easing cycle that is likely to start in December as inflation eases towards its 4% target, a fixed income official at Bank of America, India said earlier.

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 1.55 - 1.75%, hovering close to its lowest in nearly two decades.

The dollar fell to a seven-month low and the Japanese yen hit a more than one-week high as traders awaited comments from Federal Reserve Chair Jerome Powell this week likely to hint the U.S. central bank will start cutting interest rates in September.

The dollar index was last down 0.34% at 102.11 and earlier reached 102.00, the lowest since Jan. 5. The euro rose 0.19% to \$1.1049 and got as high as \$1.10545, its strongest since Dec. 29. The dollar weakened 0.75% to 146.48 Japanese yen after earlier reaching 145.20, the lowest since Aug. 7.

Investor focus will now be on comments by Fed Chair Jerome Powell at the central bank's Jackson Hole Economic Policy Symposium on Aug. 22-24. Also pay attention the minutes of the Fed's most recent meeting due on Wednesday.

Fed fund futures reflected traders pricing a near 25% chance of a 50 basis point cut at the central bank's September meeting from 50% week ago, with a 25-basis-point

reduction having odds of 75%, according to CME FedWatch. Investors are currently pricing in 95 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. Odds of a larger cut have declined since data last week showed hotter-than-expected shelter inflation for July and also a strong retail sales report for the month.

**Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
5-y Loan Prime Rate	CNY	3.85%	3.85%	HIGH



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