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Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end almost Flat on Wednesday, amid tariff related uncertainty & outflow concern keep pressure while fall in Dollar index & U.S Bond yield added by FED rate cut expectations offer support at every rally.

The rupee at NSE Future 26 Sep-25. ended gain by 2 paise at 88.20 against previous close of 88.22 and after make low of 88.12 and high of 88.21. Most Asian currencies traded lower on Wednesday, with the Malaysian ringgit leading the losses.

U.S. President said on Tuesday his administration is continuing negotiations to address trade barriers with India and that he would talk to Prime Minister Narendra Modi, in a sign of a reset after weeks of diplomatic friction. Trump, in a marked shift of tone, said he looked forward to speaking to Modi in the "upcoming weeks" and expressed optimism that they could finalize a trade deal. Modi reciprocated the optimism in a social media post on Wednesday, saying Washington and New Delhi "are close friends and natural partners." He said teams from both countries are working to conclude the trade discussions at the earliest.

The European Union is very unlikely to impose crippling tariffs on India or China, the main buyers of Russian oil, as U.S. President Donald Trump has urged the bloc to do, EU sources said. Officials said Trump urged the EU to hit India and China with up to 100% tariffs in order to put pressure on Russian President Vladimir Putin, who relies on energy revenues to fund his country's war in Ukraine.

Fitch Ratings has raised its forecast for India's economic growth for the current fiscal year to 6.9% from 6.5% earlier, citing stronger-than-expected momentum in the June quarter driven by robust services activity and resilient consumption. Domestic demand will remain the key growth driver, supported by strong real income dynamics and looser financial conditions, Fitch said a note on Tuesday.

Foreign investors have sold $1.3 billion of local stocks on a net basis in September so far, while government bonds accessible to foreigner have logged modest inflows. Foreign portfolio investors (FPIs) sold 232.9 billion rupees ($2.7 billion) of Indian financial stocks in August, the highest monthly outflow in seven months, data from National Securities Depository showed. Overall, FPIs pulled $4 billion from equities in August, also a seven-month high.

The rupee has been among the worst performing Asian currencies this year, pressured by the punitive U.S. tariffs on Indian goods that have dented sentiment and fuelled sustained dollar demand.

The U.S. dollar was narrowly mixed on Wednesday, with no definitive direction, after data showed producer prices unexpectedly fell in August, cementing expectations that the Federal Reserve will resume cutting interest rates later this month.

The dollar was slightly down against the yen at 147.31 following the data, while the euro was flat at $1.1706 . Before the data, the U.S. currency was trading moderately up on the day against both currencies. The euro rose 0.3% against the Polish zloty to 4.259 zloty, and set for its biggest one-day rise since August 11 .

The dollar index , which measures the U.S. currency against six others, was down slightly at 97.74. It has fallen by 10% this year, dented by chaotic U.S. trade and fiscal policy and by growing concern about the independence of the central bank.

A Labor Department report showed the Producer Price Index for final demand fell 0.1% on a monthly basis, after a downwardly revised 0.7% jump in July and against Reuters had forecast the PPI would rise 0.3% after a previously reported 0.9% surge in July. But the PPI advanced 2.6% on an annual basis in August, compared with a 3.3% gain expected.

Markets are now pricing an 97% chance the Fed will ease rates by a quarter-point next month from 95% last week before PPI numbers, according to CME's FedWatch, with just under 60 basis points worth of cuts expected by December, implying two 25 basis point cuts and a 40% chance of a third. Markets are pricing in a cumulative 14 basis point decline in ECB rates by the end of 2026, with hikes expected in late 2026 and 2027, compared to expectations of 130 basis points in Fed rate cuts in the same time frame.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Main Refinancing Rate	EUR	2.15%	2.15%	HIGH
CPI y/y	USD	2.9%	2.7%	HIGH

Support Resistance Levels - Currency Future: (NSE CUR - 26 Sep 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	88.20	87.80	87.35	88.50	89.20	BULLISH
EURINR FUTURE	103.32	103.0	102.20	104.0	104.80	BULLISH
GBPINR FUTURE	119.48	119.0	118.0	120.0	120.80	BULLISH
JPYINR FUTURE	60.19	59.90	59.20	60.80	61.50	BULLISH

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