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Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end almost Flat on Monday, amid dollar demand from importer banks & tariff concern countering early gain due to fall in dollar index, soft Crude oil prices and rebound in equity market.

The rupee at NSE Future 26 Aug-25. ended lower by 8 paise at 87.78 against previous close of 87.70 and after make low of 87.53 and high of 87.80. Among Asian peers, The Philippine peso and South Korean won slipped between 0.1% and 0.3%, while most other regional units were little changed.

Over the past two weeks, the rupee has come close to breaching its all-time low of 87.95, but intervention by the Reserve Bank of India in both the NDF and onshore spot markets helped prevent a new low.

The U.S. inflation data for July, due Tuesday, will be key to gauge the Fed's rate-cut expectations and the dollar's direction.

India recorded net outflows of $800 million in the current financial year starting April through the end of July 31 due to outflows in the debt segment, the RBI governor said in his monetary policy announcement.

The U.S. dollar edged higher across the board on Monday, a day before the deadline for U.S - China to strike a tariff deal and the release of a U.S. inflation report that could help determine whether the Federal Reserve lowers borrowing costs next month.

The dollar index was up 0.3% at 98.50 after last week's 0.4% fall. Against the yen, the U.S. currency traded at 147.95, up 0.1%. Japanese markets were closed on Monday for the Mountain Day holiday. The euro was down 0.2% at $1.1636, while sterling was down 0.3% at $1.34195.

Markets are now pricing an 95% chance the Fed will ease rates by a quarter-point next month owing to the weaker than expected jobs data, 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.

Cryptocurrencies rose, with bitcoin up 1.4% at $119,981, not far from its July 14 record of $123,153.22, after Trump's executive order on Thursday freed up cryptocurrency holdings in U.S. retirement accounts. Ether rose 1.3% to $4280.25, its highest since December 2021.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Cash Rate	AUD	3.60%	3.85%	HIGH

CPI y/y	USD	2.8%	2.7%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.78	87.30	86.50	88.0	88.60	BULLISH
EURINR FUTURE	102.27	101.40	100.50	102.75	103.50	BULLISH
GBPINR FUTURE	118.01	117.50	116.50	118.30	119.10	BULLISH
JPYINR FUTURE	59.65	58.90	58.30	60.0	60.60	SIDEWAYS

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