Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end marginally higher on Monday, thanks to soft dollar index, FED rate cut bet and likely central bank intervention after all time low hit few days ago, however gain seen limited in importers dollar demand & outflows concern & elevated Crude oil prices.

The rupee at NSE Future 26 Sep-25. ended gain by 9 paise at 88.23 against previous close of 88.32 and after make low of 88.16 and high of 88.37.

The Reserve Bank of India has stepped up its presence in the offshore non-deliverable forward (NDF) market to support the rupee, which has come under pressure from shifting demand-supply dynamics, bankers said on Monday.

Key rate decisions in the U.S., Japan, the United Kingdom, Canada, and Norway are due this week, with the Federal Reserve's decision on Wednesday taking centre stage. While money markets have fully priced in a 25-basis-point rate cut by the Fed on Wednesday, investors will pay close attention to commentary from Chair Jerome Powell and policymakers' updated economic and benchmark policy rate projections.

India and the United States will hold trade talks on Tuesday, New Delhi said, raising hopes for a breakthrough weeks after U.S President imposed punitive tariffs on India for buying Russian oil. The U.S. trade representative for South Asia, Brendan Lynch, will be in New Delhi for one day of talks, Indian chief negotiator Rajesh Agarwal said. The talks will be held as part of bilateral trade negotiations, Agarwal added without going into more detail.

India's merchandise trade deficit narrowed in August to $26.49 billion from $27.35 billion in July, as a drop in exports after U.S. President Donald Trump hiked tariffs on Indian goods was offset by slowing imports. Total goods exports fell to a nine-month low of $35.10 billion in August from $37.24 billion in July. Exports to the U.S. fell to $6.86 billion in August from $8.01 billion in July, while its shipments to the U.S. rose in the April-August period to $40.39 billion. The full impact of higher tariffs on U.S. imports of Indian goods could be felt next month. Total goods imports fell to $61.59 billion from $64.59 billion, the data released by the commerce ministry showed.

India's wholesale prices in August rose 0.52% year-on-year, reversing a 0.58% decline in the previous month, government data showed on Monday.

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 dollar weakened across the board on Monday as investors wait for the Federal Reserve to resume interest rate cuts at this week's meeting and as President Donald Trump renewed calls for faster monetary policy easing.

Trump on Monday called for Fed Chair Jerome Powell to enact a "bigger" cut, to benchmark interest rates and pointed to the housing market in a social media post ahead of the U.S. central bank's meeting this week.

The dollar index, which measures the currency's strength against a basket of six peers, slipped 0.4% to a nearly one-week low of 97.273. Against the Japanese currency, the dollar was 0.2% lower at 147.335 yen, while the euro advanced 0.3% to $1.1771.

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
Retail Sales m/m	USD	0.2%	0.5%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	88.23	88.0	87.35	88.60	89.20	BULLISH
EURINR FUTURE	103.80	103.0	102.20	104.0	104.80	BULLISH
GBPINR FUTURE	120.10	119.0	118.0	120.30	121.0	BULLISH
JPYINR FUTURE	60.10	59.90	59.20	60.80	61.50	BULLISH

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