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Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end higher on Monday, supported by rally in equity market after India PM planned tax cut & fall in Crude oil prices, while trading seen muted ahead of key US – European leaders meet and subdued dollar index.

The rupee at NSE Future 26 Aug-25. ended higher by 21 paise at 87.40 against previous close of 87.61 and after make low of 87.35 and high of 87.57.

India propose a two-rate structure of 5% and 18%, doing away with the 12% and 28% tax that was imposed on some items, a government official said on Friday, after Modi announced the reforms. The tax cuts are expected to boost consumption in India's economy, with steep U.S. tariffs threatening economic growth, dragging the rupee and dampening the foreign investor appetite for local equities.

Other side, the tax cuts, coupled with faint hopes of progress on a Russia–Ukraine deal, could encourage foreign investors back into Indian equities, lending support to the rupee

India's unemployment rate fell to 5.2% in July from 5.6% in the previous month, the statistics ministry said on Monday, as rural hiring picked up ahead of the festival season and on agricultural activity. The jobless rate among those aged 15 years and above in rural areas fell to 4.4% from 4.9% in June, while it rose in urban areas to 7.2% from 7.1% in June, the data showed. Among urban youth aged 15 to 29 years, unemployment increased to 19.0% in July from 18.8% in June. In rural areas, the youth jobless rate declined to 13% from 13.8% in the previous month. It was 13.7% in May. The unemployment rate for the April-June period, the first quarter of current fiscal year, was estimated at 5.4% among those aged 15 years and above, the ministry said.

The dollar gained on Monday as U.S. President Donald Trump hosted talks on ending Russia's war in Ukraine, and traders pared bets on a September rate cut before a speech on Friday by Federal Reserve Chair Jerome Powell.

Trump said that the United States would help out Europe in providing security for Ukraine as part of any deal to end the war in Ukraine and expressed hope that Monday's summit could eventually lead to a trilateral meeting with Russian Presiden, adding that he believes Putin wants the war to end.

The euro was last down 0.31% on the day at $1.1661. Against the Japanese yen , the dollar strengthened 0.41% to 147.79. Sterling weakened 0.35% to $1.3504.

Markets are now pricing an 83% 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.

In cryptocurrencies, bitcoin fell 0.95% to $116,598.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.40	87.30	86.50	88.0	88.60	SIDEWAYS
EURINR FUTURE	102.23	101.90	101.30	102.90	103.70	BULLISH
GBPINR FUTURE	118.43	117.70	117.0	119.10	120.0	BULLISH
JPYINR FUTURE	59.46	59.20	58.30	60.10	60.60	SIDEWAYS

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