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Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply lower to suffered its worst monthly drop in nearly 3-years on Thursday, and inch closer to all time low mark earlier of the year, due to U.S tariff concern, persistent portfolio outflows and rebound in dollar index in last few days makes rupee under check. However likely central bank intervention prevent rupee from sharp fall in intra day trade.

The rupee at NSE Future 26 Aug-25. ended fall by 20 paise at 87.75 against previous close of 87.55 and after make low of 87.62 and high of 87.88.

Rupee was down 2% for the month, its worst fall since September 2022.

The rupee fell to an over five month low of 87.74 following U.S. President threat of a 25% charge on Indian exports, alongside an unspecified penalty, starting August 1. The rupee could risk a fall below its all-time low of 87.95 if there are no positive developments around U.S.-India trade negotiations. Foreign outflows added to the pressure, with overseas investors net selling Indian stocks worth $2 billon in July.

U.S President Donald Trump said on Wednesday the United States is still negotiating with India on trade after announcing earlier in the day the U.S. will impose a 25% tariff on goods imported from the country starting on Friday. The 25% tariff, as well as an unspecified penalty announced by Trump in a morning social media post, would strain relations with the world's most populous democracy. Later at the White House, the Republican president indicated there was wiggle room. What the penalty would be was not clear. Trump indicated initially it was for India buying Russian arms and oil and its non-monetary trade barriers. The United States, the world's largest economy, currently has a $45.7 billion trade deficit with India, the fifth largest. "This is a major setback for Indian exporters, especially in sectors like textiles, footwear, and furniture, as the 25% tariff will render them uncompetitive against rivals from Vietnam and China

India is likely to receive an average amount of monsoon rainfall - critical to the economy - in August after 5% more than normal volumes of rain in July, a senior weather department official said on Thursday. Nearly half of India's farmland is not irrigated and depends on the June-September monsoon rains for crop growth.

The U.S. dollar was headed for its first monthly gain for 2025 against major currencies on Thursday, underpinned by easing trade tensions and U.S. economic resilience.

The dollar rose against the yen , trading at its highest level since May 28. It is on track to gain about 5% for July, making it the biggest monthly increase since December 2024. It was last up 0.83% at 150.765. The dollar index was up 0.16% at 99.949 after rising nearly 1% in the previous session. It is on track for the first monthly gain in 2025. The euro was last up 0.19% at $1.1426, having hit a seven-week low on Wednesday. Still, it remained on track to lose nearly 3% this month. The dollar weakened 0.31% against the Swiss franc to 0.812 franc but it is on track to gain 2.36% for the month.

In a widely expected move, the Bank of Japan on Thursday kept short-term interest rates steady at 0.5% by a unanimous vote, but revised up its inflation forecasts for the next few years.

Market expectations that the Fed will leave rates unchanged at its July meeting rose to a 95% probability, according to the CME's Fedwatch tool, while a cut by September has a 60% probability, according to the CME Group's FedWatch Tool. In total, traders see 44 basis points of cuts by year-end, indicating a potential third 25-basis point reduction, up from 48 basis points last week.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Non-Farm Employment Change	USD	106k	147k	HIGH
ISM Manufacturing PMI	USD	49.5	49.0	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.75	87.0	86.35	88.0	88.60	BULLISH
EURINR FUTURE	100.54	100.35	99.50	100.80	101.50	SIDEWAYS
GBPINR FUTURE	116.15	116.0	115.20	117.0	118.0	SIDEWAYS
JPYINR FUTURE	59.0	58.50	58.0	59.60	60.20	SIDEWAYS

Technical Research Analyst

Vibhu Ratandhara

Disclosure:

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site: https://www.bonanzaonline.com

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BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186