

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Wednesday, pressure by dollar demand from importer banks & profit booking after 2-days rally, however down side seen limited in fall in dollar index, fall in Crude oil prices along with inflows expectations after equity market rally since this week.

The rupee at NSE Future 26 Aug-25. ended lower by 4 paise at 87.09 against previous close of 87.05 and after make low of 87.01 and high of 87.22.

Recent weeks have seen the rupee's direction influenced by news around U.S. tariffs on India, S&P's upgrade of the nation's sovereign credit rating and Prime Minister Narendra Modi's planned tax cuts on goods and services. Other side, foreign portfolio investors turned buyers of Indian assets in the past three sessions after net selling Indian markets in the last few weeks over tariff uncertainties.

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.

India's monetary policy committee members flagged evolving risks from global trade tensions and tariffs as a key drag on growth but said the economy remains resilient with the inflation outlook benign, minutes of the August meeting showed on Wednesday. The Reserve Bank of India held its key repo rate steady at 5.50% earlier this month, after cutting rates by 100 basis points so far in 2025. The six-member Monetary Policy Committee voted unanimously to retain a "neutral" stance, citing the need for flexibility amid domestic and global uncertainties. The central bank has a 4% inflation target, with a tolerance band between 2% and 6%. India reports GDP growth data on August 29.

India's infrastructure output grew 2% year-on-year in July, government data showed on Wednesday. The index, which tracks activity across eight sectors and makes up 40% of the country's industrial production, grew at a revised 2.2% in June, compared to the initial estimate of 1.7%.

The dollar fell on Wednesday after U.S. President Donald Trump called on Federal Reserve Governor Lisa Cook to resign, but pared gains after minutes from the Fed's latest meeting showed that only two policymakers supported an interest rate cut last month.

Trump cited allegations made by one of his political allies about mortgages Cook holds in Michigan and Georgia, intensifying his effort to gain influence over the U.S. central bank. Trump has also told

aides he is considering attempting to fire Cook, the Wall Street Journal reported on Wednesday.

A speech on Friday by Fed Chair Jerome Powell is this week's main focus, with little major economic data to drive market direction. Traders are tuned into whether Powell will push back against market pricing of a rate cut in September.

The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, was last down 0.13% on the day at 98.20, with the euro up 0.09% at \$1.1657. The Japanese yen strengthened 0.32% against the greenback to 147.2 per dollar.

The New Zealand dollar dropped 1.12% to \$0.5826, a four month low, after the country's central bank cut its policy rate by 25 basis points to a 3-year low of 3.00% and flagged further reductions in coming months as policymakers warned of domestic and global headwinds to growth.

Sterling weakened 0.3% to \$1.3449 after British inflation hit its highest in 18 months in July, but was not seen as swaying Bank of England policy.

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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Flash Manufacturing PMI	USD	49.7	49.8	HIGH
Jackson Hole Symposium				HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.09	86.90	86.30	87.50	88.0	SIDEWAYS
EURINR FUTURE	101.51	101.30	100.60	102.30	103.70	BEARISH
GBPINR FUTURE	117.56	117.35	116.60	118.40	119.10	SIDEWAYS
JPYINR FUTURE	59.08	58.90	58.20	59.60	60.10	SIDEWAYS

Technical Research Analyst

Vibhu Ratandhara

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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