

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Thursday, pressure by dollar demand from OMC & gain in dollar index, however down side seen limited due to soften 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 17 paise at 87.26 against previous close of 87.09 and after make low of 86.94 and high of 87.29.

India's central bank said on Thursday the current inflation-targeting framework has worked well for the economy and signalled it could be kept intact, as the authority sought stakeholder views on the path ahead in a discussion paper. With the current framework up for review by April 2026, the Reserve Bank of India (RBI) has sought input on whether 4% remains the optimal inflation target and if the tolerance band of 2 percentage points on either side should be changed or removed. It has also asked for views on whether the target should remain headline inflation or be changed to core inflation, which excludes volatile food and energy prices.

India private sector activity expanded at the fastest pace on record in August, fuelled by a robust surge in demand led by the dominant services sector, which allowed firms to hike prices at the fastest clip in over 12 years, a survey showed on Thursday. HSBC's flash India Composite PMI, compiled by S&P Global, rose to 65.2 in August from 61.1, confounding expectations for a decline to 60.5. It was the highest reading since the survey began in December 2005 and remained above the 50-mark that separates growth from contraction for the 49th month. Record expansion was underpinned by the sharpest uptick in total new orders - a key gauge of demand - in nearly 18 years. The services sector led growth, with its activity index soaring to a survey high of 65.6. The manufacturing sector also showed significant strength - its preliminary PMI rose to 59.8, its highest reading since January 2008.

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.

The dollar gained on Thursday before a highly anticipated speech by Federal Reserve Chair Jerome Powell on Friday will be evaluated for any new clues on whether the U.S.

central bank is likely to cut interest rates next month.

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 up 0.38% on the day at 98.60, with the euro down 0.34% at \$1.1611. The Japanese yen weakened 0.65% against the greenback to 148.29 per dollar. Sterling fell 0.27% to \$1.342.

Markets are now pricing an 74% 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 1.77% to \$112,466.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
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Fed Chair Powell Speaks	USD			

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.26	86.90	86.30	87.50	88.0	SIDEWAYS
EURINR FUTURE	101.72	101.20	100.60	102.30	103.70	BEARISH
GBPINR FUTURE	117.56	117.0	116.60	118.40	119.10	SIDEWAYS
JPYINR FUTURE	59.25	58.90	58.20	59.60	60.10	SIDEWAYS

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