

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower consecutive 4th day on Monday, as concern over tariffs as we approaching deadline added by gain in dollar index and month end dollar demand from OMC pressure rupee despite inflows expectations.

The rupee at NSE Future 26 Sep-25. ended lower by 5 paise at 87.71 against previous close of 87.66 and after make low of 87.48 and high of 87.76.

An additional 25% tariff is set to be enforced on August 27. This move likely to reduce Indian exports, widen the trade deficit, and add further stress to the rupee. Indian goods face additional U.S. tariffs of up to 50% with effect from Wednesday. Washington had already levied 25% tariffs on Indian goods- steeper than those faced by many other large trade partners- and the latest slated increase comes in response to India's continued purchases of Russian crude.

Credit-rating firm Fitch maintained India's sovereign rating at 'BBB-' on Monday, citing levels of fiscal deficits and debt that are still high, crushing the government's hopes for a lift in ratings by all three major providers. This month, S&P upgraded India to 'BBB', its first such upgrade in 18 years, prompting the government to respond that it expected other rating houses to follow suit. Fitch has rated India at 'BBB-' since 2006, while Moody's has retained its 'Baa3' rating since June 2020. India's government debt burden is "elevated" at its estimate of 80.9%, "well above the 59.6% 'BBB' median", Fitch said, and forecast a slight rise in debt to 81.5% in fiscal 2026.

India's central bank remains focused on price stability while supporting economic growth, Governor Sanjay Malhotra said on Monday, adding that financial and price stability are enablers rather than obstacles to economic expansion. "We have not lost sight of our growth objective," Malhotra said in his speech at an annual banking conference in Mumbai, adding that the cenbank will "continue to provide ample liquidity to the banking sector and doing whatever else is required to support the economy".

The dollar advanced against major currencies on Monday, bouncing from a steep fall last week that followed remarks from Federal Reserve Chair Jerome Powell that boosted expectations for a rate cut next month.

The dollar index , which measures the greenback against a basket of currencies, rose 0.49% to 98.32, and was on track for its biggest daily percentage gain since July 30,

with the euro down 0.69% at \$1.1634, after hitting a four-week high of \$1.174225 on Friday. Germany's 10-year bond yield, the benchmark for the euro zone, rose 3.9 basis points to 2.758%, nearing a five-month peak of 2.787% hit last week.

Measured against a basket of six major currencies , the dollar has weakened by more than 9% this year. The euro has been the lead gainer in the basket with a climb of more than 12%.

Upcoming data points which could influence the central bank's policy path include the Fed's preferred inflation gauge, the PCE price index, on Friday, and monthly payrolls figures for August, due a week later.

Markets are now pricing an 84% 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
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Durable Goods Orders m/m	USD	-3.8%	-9.4%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.71	87.0	86.30	88.10	88.80	BULLISH
EURINR FUTURE	102.69	101.80	101.30	103.0	103.70	BULLISH
GBPINR FUTURE	118.51	117.75	117.0	118.60	119.50	SIDEWAYS
JPYINR FUTURE	61.70	61.0	60.40	62.50	63.10	SIDEWAYS

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