

KEY HEADLINES:

The Indian rupee spot against the US dollar ended almost flat to recover from a record low earlier of the day on Monday, helped by likely Central Bank intervention towards the latter part of session, while earlier of the day rupee plummeted to a fresh record low of 88.33, reflecting concerns over higher U.S. tariffs on Indian goods and the broader economic implications for the South Asian country in ongoing SCO summit.

The rupee at NSE Future 26 Sep-25. ended lower by 2 paise at 88.31 against previous close of 88.29 and after making low of 88.20 and high of 88.42.

The Rupee fell 0.7% in August, its 4th - consecutive monthly decline. The Rupee is the worst-performing Asian currency year-to-date, down about 3% against the dollar, and the underperformance is expected to continue as Indian goods face the highest U.S. tariffs among Asian countries. Higher tariffs are likely to drag the nation's export competitiveness, and a slowdown in exports could weigh on corporate revenues and profits.

Foreign investors have pulled out \$2.4 billion from Indian equities over the past three sessions, and continuous outflows are expected to exacerbate volatility in the currency and equity markets.

India's current account logged a deficit in the April-June quarter on the back of a higher merchandise trade shortfall, the Reserve Bank of India said on Monday. The current account deficit stood at \$2.4 billion, or 0.2% of GDP, in the first quarter of the fiscal year 2025-26, compared with a deficit of \$8.6 billion, or 0.9% of GDP, in the same quarter a year ago. In the preceding quarter, the current account had recorded a surplus of \$13.5 billion, or 1.3% of GDP. The merchandise trade deficit widened to \$68.5 billion from \$63.8 billion a year earlier, the RBI said.

India collected 1.86 trillion rupees (\$21.26 billion) as goods and services tax in August, 6.5% higher than the same period last year, the government said on Monday.

The dollar hit a five-week low on Monday as investors looked ahead to a raft of U.S. labour market data this week that could affect expectations for the Federal Reserve's easing path.

Against a basket of currencies, the dollar eased 0.15% to 97.71 , after hitting 97.534, its lowest level since July 28. It clocked a monthly decline of 2.2% on Friday. The euro was up 0.22% at \$1.1707, while sterling rose 0.25% to \$1.3537. U.S. markets were closed for the Labor Day holiday on Monday. The dollar was up 0.14% at 147.26 against the yen after a monthly decline of 2.5% in August.

Markets are now pricing an 90% 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
	USD	48.9	48.0	HIGH

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