

## KEY HEADLINES:

The Indian rupee spot against the US dollar posted its steepest one day drop since May and hit 5-month low to end sharply lower on Wednesday, to surpass 87 mark, pressure by worries over steep U.S tariff on India exports, month end dollar demand from importer banks, rebound in dollar index and outflow concern after recent sell off in equity market keep rupee under check ahead of eventful week including FED & BOJ rate decision and U.S Non Farm data.

The rupee at NSE Future 26 Aug-25. ended fall by 60 paise at 87.55 against previous close of 86.95 and after make low of 87.08 and high of 87.65.

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

The Federal Reserve held interest rates steady on Wednesday in a split decision that gave little indication of when borrowing costs might be lowered and drew dissents from two of the U.S. central bank's governors, both appointees of President who agree with him that monetary policy is too tight. "The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated," the central bank said in a policy statement released after the Federal Open Market Committee voted 9-2 to keep its benchmark overnight interest rate steady in the 4.25%-4.50% range for the fifth consecutive meeting. In his subsequent press briefing, Fed Chair Jerome Powell said he is expecting a slow process when it comes to understanding how trade tariffs impact inflation.

In addition to trade uncertainty, persistent foreign portfolio outflows have also been a pain point for the rupee. Overseas investors have net sold over \$1.5 billion of local

stocks in July.

The dollar strengthened against major peers on Wednesday after the Federal Reserve left U.S. interest rates unchanged, in line with market expectations but rebuffing pressure from President Donald Trump.

Earlier in the session, data showed that U.S. economic growth rebounded more than expected in the second quarter, expanding by 3%

The euro extended losses against the dollar following the Fed's decision and as Powell spoke. It was last down 1% to \$1.141775, on track for the fifth straight session of losses and trading at its lowest level since June 11. The dollar index added to its gains after the Fed. It was up 0.96% at 99.82, hitting its highest level since May 29 and on course to post its first month of gains this year. U.S. Treasury yields were mostly higher. The 2-year note yield, which typically moves in step with interest rate expectations for the Fed, rose 6.6 basis points to 3.941%.

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
Core PCE Price Index m/m	USD	0.3%	0.2%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.55	87.0	86.35	87.75	88.50	BULLISH
EURINR FUTURE	101.21	100.35	99.50	101.50	102.20	SIDEWAYS
GBPINR FUTURE	117.13	116.20	115.50	117.40	118.20	SIDEWAYS
JPYINR FUTURE	59.40	58.50	58.0	59.60	60.20	SIDEWAYS

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