Date: 5 Aug 2025

Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Monday, pressure by persistent foreign outflows, dollar demand from OMC and tariff concern makes rupee under check in last few session. However likely central bank intervention prevent rupee from sharp fall in intraday trade.

The rupee at NSE Future 26 Aug-25. ended fall by 14 paise at 87.73 against previous close of 87.59 and after make low of 87.30 and high of 87.82. Meanwhile, other Asian currencies gained on Monday, led by the Malaysian ringgit's rebound of nearly 1% as dollar weakness offered relief from recent losses.

India's central bank is expected to hold rates steady on Wednesday, but the odds of another cut have risen after the U.S. slapped steep tariffs on Indian exports last week, adding to pressure on growth even as inflation stays subdued. The RBI delivered a larger-than-expected 50bp cut in June and shifted its stance to "neutral", signalling that further moves would depend on incoming data. Traders are also awaiting the announcement of a revised liquidity framework, which may come alongside the policy.

Rupee was down 2% for the month July, its worst fall since September 2022.

The rupee fell to an over 5-month low of 87.74 last week, following U.S. President threat of a 25% charge on Indian exports, alongside an unspecified penalty, starting August 1. The rupee could risk a fall below its all-time low of 87.95 if there are no positive developments around U.S.-India trade negotiations.

Foreign outflows added to the pressure, with overseas investors net selling Indian stocks worth $2 billon in July.

The dollar rose 3.4% in July, its biggest monthly gain since a 5% jump in April 2022 and first monthly rise of the year, as markets became more at ease with Trump's trade policy and economic data had remained resilient in the face of tariffs.

The U.S. dollar slightly recovered on Monday, consolidating recent moves, after Friday's trio of market-moving events that showcased the fragility of the greenback: a dismal U.S. jobs report, the resignation of a Federal Reserve Governor, and President Donald Trump's firing of a top statistics official. Those developments battered the currency and prompted investors to ramp up bets of imminent Fed rate cuts.

The euro dipped 0.1% against the U.S. unit to $1.1576 , while the dollar rose 0.5% against the Swiss franc to $0.8078. Against the Swiss franc, the dollar rose 0.5% at 0.8081 . Versus the yen, the U.S. currency gained 0.3% to 146.945. The euro slipped 0.2% on Monday to $1.1568 , while sterling was little changed at $1.3275. Against a basket of currencies, the dollar edged up 0.1% to 98.77, after sliding more than 1.3% on Friday.

Markets are now pricing an 84% chance the Fed will ease rates by a quarter-point next month owing to the weaker than expected jobs data, 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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
	USD	51.5	50.8	HIGH

ISM Services PMI				

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.73	87.30	86.50	88.0	88.60	BULLISH
EURINR FUTURE	101.66	100.50	99.80	102.10	103.0	SIDEWAYS
GBPINR FUTURE	116.73	115.80	115.0	117.0	118.0	SIDEWAYS
JPYINR FUTURE	59.56	58.90	58.30	59.60	60.20	SIDEWAYS

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