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Daily Forex Insight

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Tuesday, due to continue pressure from tariff side by U.S, foreign outflow concern and dollar demand from OMC makes rupee under check since last few session. However likely central bank intervention prevent rupee from record low hit in earlier of the session.

The rupee at NSE Future 26 Aug-25. ended fall by 14 paise at 87.87 against previous close of 87.73 and after make low of 87.83 and high of 87.98.

U.S. President Donald Trump said on Tuesday he would increase the tariff charged on imports from India from the current rate of 25% "very substantially" over the next 24 hours, in view of New Delhi's continued purchases of Russian oil. He also said a "zero tariff" offer for imports of U.S. goods into India was not good enough, alleging that India was "fuelling the war" in Ukraine

Growth in India's services sector accelerated to an 11-month high in July, driven by strong international demand and sustained domestic sales, a survey showed on Tuesday. The HSBC India Services PMI, compiled by S&P Global, inched up to 60.5 in July from 60.4 in June, confounding an expectations of a drop to 59.8. PMI readings above 50.0 indicate growth in activity on a monthly basis while those below point to a contraction. The latest reading showed the dominant services sector has been expanding for four years.

The Rupee spot fell to a low of 87.8850 on Tuesday, just shy of an all-time low of 87.95 hit in February. The Reserve Bank of India likely to helped absorb some tariff-related pressure on the rupee through interventions conducted by state-run banks.

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.

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

The U.S. dollar rose against most currencies on Tuesday, but remained within striking distance of Friday’s lows, with the market still in consolidation mode. The market is focused on President Donald Trump's nominations to the Federal Reserve Board after the resignation of Fed Governor Adriana Kugler last Friday as well as his choice for commissioner of Bureau of Labor Statistics.

Trump on Tuesday said he would announce decisions soon on a short-term replacement for Kugler, including his pick for the next Fed chair. He ruled out U.S. Treasury Secretary Scott Bessent as a contender to replace current chief Jerome Powell whose term ends in May 2026. Bessent wanted to remain in his current job. The White House is looking at four candidates to replace Powell.

The euro was last down 0.2% against the dollar at $1.1553. That pushed the dollar index , which measures the U.S. currency against six counterparts with the euro as the biggest component, up 0.30% at 98.88, after touching a one-week low earlier in the session at 98.609. The dollar rose 0.2% to 147.42 yen.

Markets are now pricing an 88% 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

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.87	87.30	86.50	88.0	88.60	BULLISH
EURINR FUTURE	101.59	100.50	99.80	102.10	103.0	SIDEWAYS
GBPINR FUTURE	116.75	115.80	115.0	117.0	118.0	SIDEWAYS
JPYINR FUTURE	59.64	58.90	58.30	60.0	60.60	BULLISH

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