APRIL 25TH, 2026

WEEKLY NEWSLETTER

RUPEE UNDERPERFORMS ASIAN PEERS AS CRUDE SPIKES

Global Development:

It seems **the US-Iran war has reached a stalemate**. Posturing from both sides, however, **is not encouraging.** There seems to be little common ground to reach an agreement.

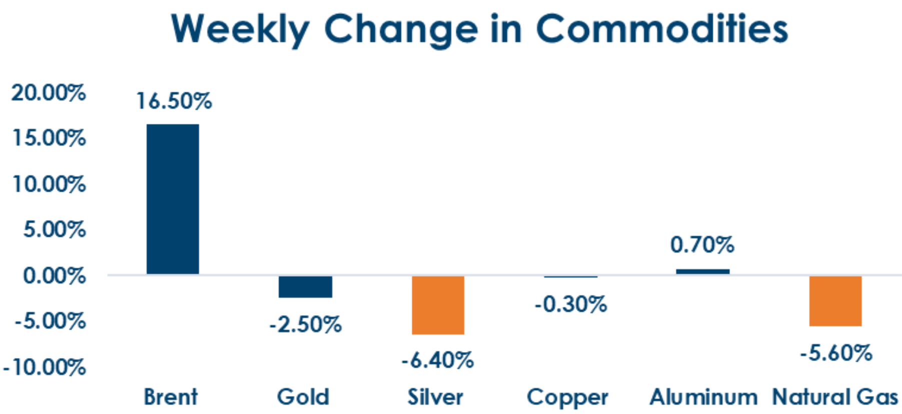
The RBI rolled back measures introduced in the 1st April circular this week. **It allowed corporates to cancel and rebook the same underlying exposure again and again, and allowed banks to rollover and execute transactions on a back-to-back basis with related parties**. Banks can offer NDFs to clients again. The cap of USD 100mn on bank net open position in onshore derivatives, however, remains in place. The RBI, therefore, has rolled back measures that were causing operational inconvenience. **Speculative curbs for banks remain in place.**

There is an opportunity for exporters to capitalize on higher offshore points, up to 15p in the 3m tenor.

IT stocks were in focus after poor sequential revenue growth was reported in constant currency terms for Q1 and weak guidance given by **HCL and Infosys.**

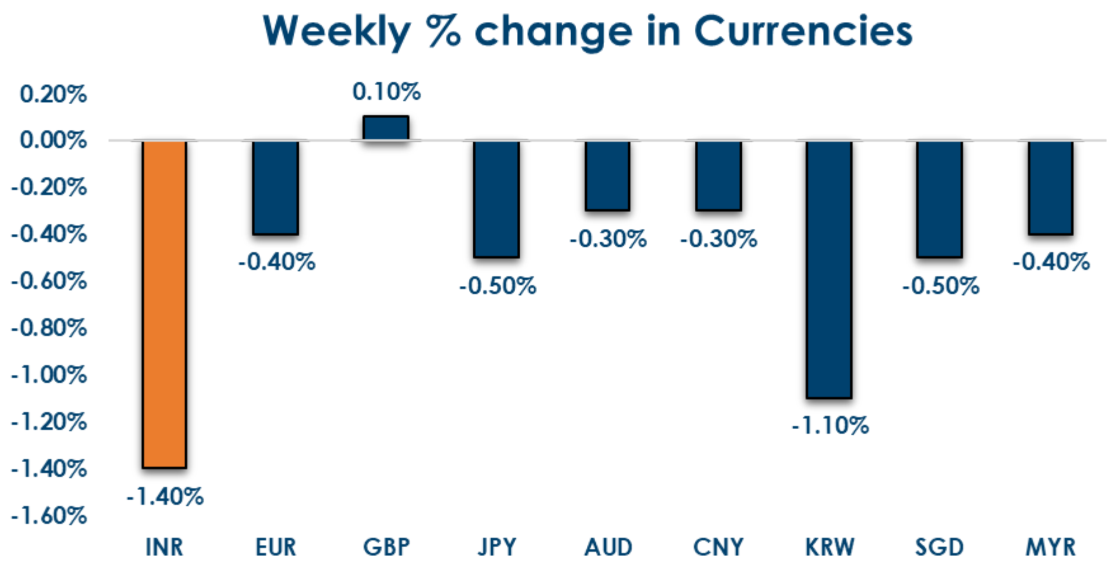
Commodities:

- Energy markets led the rally this week, with Brent and WTI surging sharply alongside gains in European gas, while precious metals and US natural gas declined, and base metals remained largely range-bound.



Foreign Exchange:

- G10 currencies showed a mixed-to-weak bias against the Dollar this week, with NOK (+0.6%) and CAD (+0.2%) outperforming, while SEK (-0.6%) and JPY (-0.5%) lagged, reflecting a broadly firm USD environment.
- EUR's -0.4% decline signals continued pressure on the bloc's currency, reflecting relatively weaker sentiment versus peers.
- GBP's marginal +0.1% gain suggests resilience, holding relatively stable amid broader G10 volatility.
- Asian FX broadly weakened against the Dollar this week, with most currencies in the red—led by INR (-1.4%) and KRW/THB/PHP (-1.1%)—while TWD was a marginal gainer.
- Rupee traded in a 92.70-94.31 range during the week and ended at 94.26 compared to the previous week's close of 92.93
- Forward premiums show a mild near-term softness (1M at 3.37% easing to 12M at 3.09%) before steepening on the long end, with the 5Y tenor rising to 3.73%, indicating upward-sloping long-term expectations.
- 3m ATMF implied volatility is at 4.58%
- FX Reserves rose USD 2.3bn in the week ending 17th April to USD 703.3bn
- RBI short forward book stood at USD 78bn as on February end, i.e., even before the war began
- 40 currency trade weighted REER was 92.72 as on March end, compared to 93.99 in Feb. The Chief Economic Advisor said that the Indian Rupee is fundamentally undervalued



Fixed Income:

- Global 10Y bond yields edged higher across major economies, led by sharp rises in the UK and South Korea (+8bps each), while China stood out as the only market with a marginal decline (-1bp).
- Yield on the domestic benchmark 10y moved up 3bps this week to 6.94%
- 1y OIS rose 7bps to 5.88% while 5y OIS rose 11bps to 6.49%. Overnight MIBOR fixings happened in 5.13-5.38% this week. Banking system liquidity is in surplus of around Rs 3 lakh crs. The surplus has reduced from Rs 5 lakh crs
- 1y T-bill yield is 5.53% and 1y CD is around 7.05%
- 10y AAA PSU spreads over Gsec are 55bps and NBFC spreads are around 62bps

Our Views: What we like?

FX

We believe DXY continues to remain in the 95.50-100.50 range, which it has been in for the past several months. We expect the Rupee to continue to underperform given crude vulnerabilities, despite it being undervalued. We expect a 93.40-95.50 range for the rupee over the next 6 weeks with a weakening bias.

Fixed Income

We expect the yield on the US 10y to be supported around 6.85% as long as crude holds above the USD 100 per barrel mark. It will be interesting to see if the government passes on the impact to consumers. If it does not, yields may continue to remain under pressure. Any level above 7% on 10-year is attractive to add duration from a long-term perspective

Commodities

We continue to remain bullish on the overall commodity complex. Any bouts of Dollar strength should be used to go long precious metals. The USD 120 per barrel mark is extremely crucial on Brent. If that breaks, we may see a vertical move this time.

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