APRIL 04TH, 2026

FX Partner You Can Trust

WEEKLY NEWSLETTER

TRUMP'S NATIONAL ADDRESS DOES LITTLE TO COMFORT MARKETS

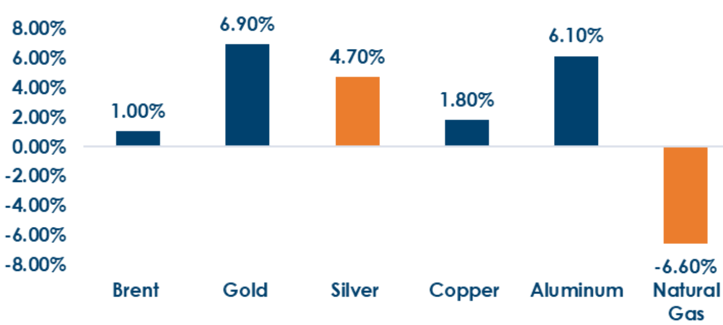
Global Developments:

- **Trump delivered a national address on Wednesday evening.** The market was expecting timelines for when the war would end. However, the comments were extremely general and vague. While **he mentioned that the US would get out of Iran in 2-3 weeks, he said the US would hit Iran hard in that period. He has also asked allies to work towards reopening the Strait of Hormuz.**
- Meanwhile, blows continue to be exchanged between Israel and Iran and the US and Iran. **Iran striking essential facilities in the Middle East is a key risk for supply chains.**
- Domestically, **focus will be on the RBI policy** in the coming week. Emergency, out-of-policy action cannot be ruled out either, and we may see the RBI indicate the possibility of that in the upcoming policy. **There is a strong possibility of a 25bps rate hike to tame inflationary pressures and control the Rupee.**
- RBI's latest moves to deter speculation in the rupee have seen some success as far as the onshore spot is concerned, but **the relief could be temporary if energy prices continue to remain elevated and surge further.**

Commodities:

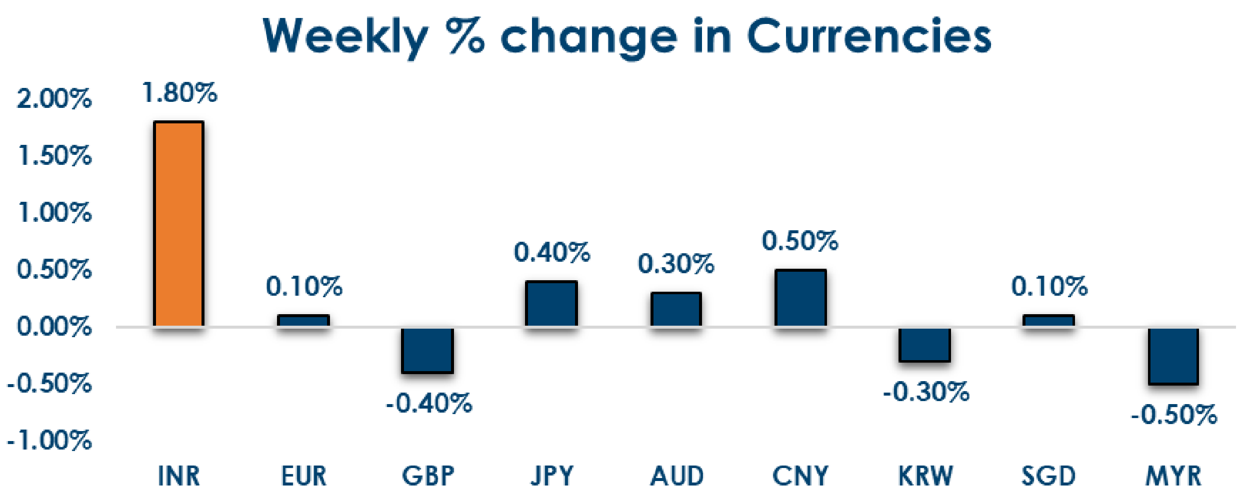
- Commodities saw mixed momentum this week, with energy volatile (Brent +1%, WTI +18%, natural gas down), metals firming (aluminium +6.1%, copper +1.8%), and precious metals rallying strongly (gold +6.9%, silver +4.7%).
- Energy prices continue to remain extremely volatile and sensitive to war related news. Attacks ok Energy facilities in Kuwait have stoked a fresh bout of nervousness. WTI-Brent spread inverted this week as Trump's national address did little to comfort the markets and infact added to the anxiousness as he said US would hit Iran hard over the next 2-3 weeks

Weekly Change in Commodities



Foreign Exchange:

- G10 currencies delivered a mixed performance this week, with the Yen leading gains (+0.4%) while the Kiwi lagged (-1%), as most majors hovered in a narrow range against the Dollar.
- Asian currencies delivered a mixed performance this week against the Dollar, led by INR (+1.8%) and THB (+0.9%) gains, while MYR (-0.5%) and TWD (-0.3%) lagged, reflecting a broadly cautious regional sentiment.
- Broader G10 stability with a slight positive bias supported the Euro's mild uptick (+0.1%), reflecting limited downside pressure.
- Weakness across key G10 peers, coupled with Dollar strength, kept the Pound under pressure, ending the week lower (-0.4%).
- The rupee traded only 2 days this week, i.e., Monday and Thursday, due to a holiday-shortened week.
- On Monday, the rupee reacted to the RBI's measures that prevent banks from engaging in arbitrage between onshore and offshore markets. It introduced a USD 100mn limit on the net open position for banks for onshore deliverable Rupee derivatives. Across the industry, there was about USD 35bn of arbitrage positions wherein banks had sold NDF and gone long onshore. RBI's measure required banks to trim these positions by 10th April and thereby required them to buy offshore and sell onshore. This widened the spread between onshore and offshore 1m to about 45p. On Monday, spot opened around 93.50 and subsequently inched higher through the session to make an all-time high of 95.23 (Rupee weakened past Friday's close of 94.81!) before ending at 94.75
- On Thursday, the spot reacted to another set of measures introduced by RBI, this time restricting corporations' access to NDF and preventing them from freely cancelling and rebooking hedges against the same underlying exposures. Effectively, it said that the corporations should also not arbitrage between onshore and offshore and hold hedges till the underlying exposure is realized. This time, the gains in the Rupee held. After opening around 93.40, the rupee strengthened to 92.83 before ending at 93.10.
- The measures are basically intended to curb speculation and reduce dollar demand in the domestic market, thereby reducing pressure on the Rupee.
- FX Reserves dropped USD 10.3bn to USD 688.1bn in the week ending 27th March



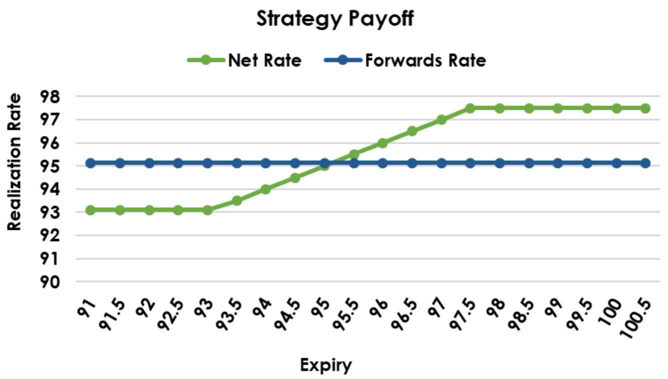
Fixed Income:

- Global 10Y bond yields softened across major economies this week—led by sharp declines in the UK, France, and Germany—while Japan and China saw a marginal uptick.
- Yield on the India 10y benchmark rose 19bps this week to 7.13% (levels not seen in almost 2 years) as excise duty cut on petrol and diesel weighed on sentiment. This is likely to result in a Rs 13000-15000crs impact on government revenue per month. Rising inflation expectations, too, on higher crude prices are making bond traders nervous.
- Some of the SDL (SGS) cut-offs came in above the 8% mark in last week's auction
- 1y OIS rose 32bps to 6.36% and 5y OIS rose 22bps to 6.85% this week. Overnight MIBOR fixing had happened at 6.98% on 30th March, i.e., the last Day of the fiscal, but on Thursday, it cooled off to 5.24%. Banks had parked more than Rs 4 lakh crore in SDF on Wednesday
- 1y T-bill yield is at 5.69% while 1y CD is at 7.35%.
- FPIs pulled out net USD 900mn from debt in March

Option Structures for Importer

EXPORTER RISK-REVERSAL

Spot ref 93.10
Tenor 6m
Atmf 95.14
Buy put atms
Sell call 97.50
Net cost 0 ps



IMPORTER SEAGULL

Spot ref 93.10
Tenor 3m
Atmf 94.25
Buy call Atmf
Sell put Atms
Sell call 96.46
Cost 0 ps

Our Views: What we like?

FX

The dollar continues to remain volatile but within a range against majors. 1.14 on Euro, 1.31 on Pound, and 160 on JPY are the key levels to watch. These are the support levels for respective currencies against the Dollar. RBI's measures may reduce the pressure on the rupee over the near term. The offshore-onshore spread may remain elevated. Onshore Rupee may adjust as per NDF moves overnight, and chances of gap moves are higher. NDF is the bigger market, and with fewer restrictions there, it is likely to be more representative of the fair value of the Rupee. Focus will be on the RBI monetary policy in the coming week. There could be a knee-jerk reaction in USDINR lower if the RBI hikes rates. However, the real demand for Dollars is likely to be elevated due to the sheer change in price of our crude basket. We expect the Oil companies to bid strongly on every dip. The downside in USDINR may therefore be limited. 92.60 gap is likely to act as an extremely strong support. We expect a 92.60-95 range for the Rupee over the next 6 weeks.

Fixed Income

A 10-year Gsec yield above 7% seems extremely attractive from a long-term perspective. We expect the RBI to announce OMOs to soothe sentiment. 10-year SDLs close to 8% are also extremely attractive from a long-term investment standpoint.

Commodities

Energy prices are likely to remain extremely sensitive to headlines. Break above USD 120 on Brent could result in a vertical move higher of about 15-20%

Contact Us:
+91 86557 85089 | info@ifaglobal.net

Subscribe to our Daily Reports Here!

**The views and opinions expressed above are for informational purposes only and should not be construed as investment advice.*