AUGUST 08TH , 2026

WEEKLY NEWSLETTER

FED RATE HIKE EXPECTATIONS PARED ON US NFP MISS

Global Development:

Risk sentiment was positive into the start of the week with Trump canceling strikes over last weekend. Reports of Iran considering barring US ships through SoH in an agreement with Oman dented sentiment a bit mid-week.

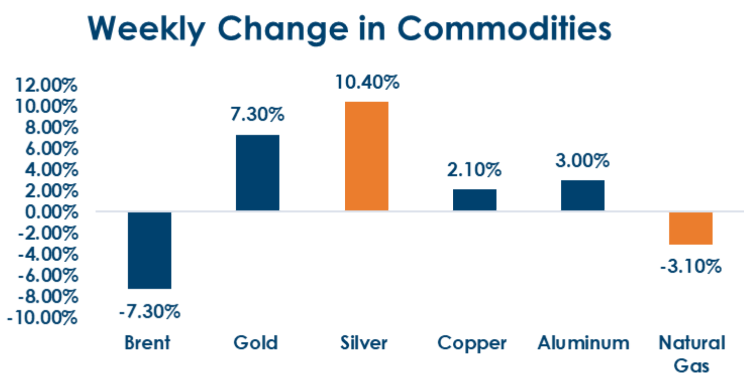
Top military officials have been advising Trump to find an off ramp on Iran given that US military options seem limited.

RBI kept rates and stance unchanged and sounded less hawkish than expected, triggering a rally in bonds and rates

US July Labor data disappointed with headline NFP coming in at -23k against expected 80k. Previous print was revised lower as well. Average Hourly Earnings Growth slowed to 0.1% MoM (exp 0.3% MoM). Rate hike expectations by Fed have come off as a result. Key data point to focus on next week is the US July CPI print.

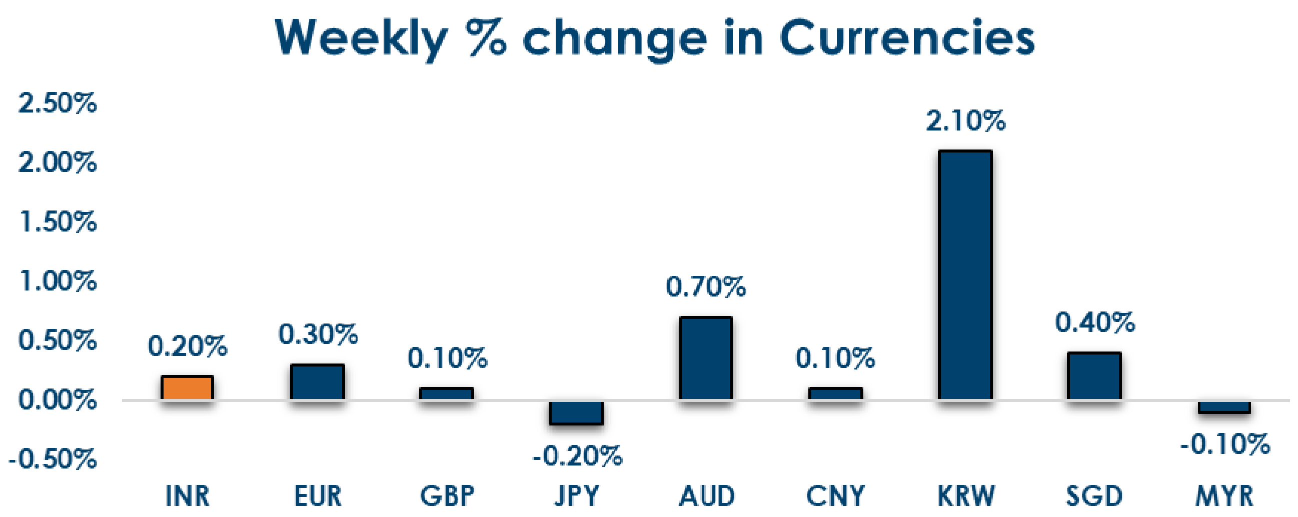
Commodities:

Commodities saw a sharp divergence this week, with precious metals leading the rally as Silver surged 10.4% and Gold gained 7.3% on strong safe-haven demand, while crude oil prices declined more than 7% amid easing geopolitical and supply concerns.



Foreign Exchange:

- The Dollar was broadly weaker against G10 currencies this week, with the Australian Dollar (+0.7%) and Canadian Dollar (+0.6%) leading gains, while the Norwegian Krone (-0.4%) and Japanese Yen (-0.2%) were the notable laggards.
- The Euro strengthened modestly against the Dollar this week, gaining 0.3%, as the greenback remained broadly soft.
- The Pound edged higher by 0.1% against the Dollar, with gains remaining limited amid a relatively cautious risk environment.
- Asian currencies broadly strengthened against the Dollar this week, led by the Korean Won (+2.1%) and Thai Baht (+1%), while the Indian Rupee gained 0.2%; the Malaysian Ringgit was the only notable laggard, easing 0.1%.
- Rupee traded a 94.89-95.40 range and ended at 95.21 compared to previous week close of 95.39.
- INR forward premia softened this week as domestic rates came off, with the term structure now ranging from 2.56% at 1M to 3.17% at 5Y, reflecting a gradual rise in implied yields across the longer tenors.
- 3m ATMF implied volatility dropped 20bps to 4.80% this week.
- FX Reserves rose USD 10.5bn in week ending 31st July to USD 692.9bn



Fixed Income:

- Global bond yields mostly declined this week, with US 10Y yields falling 3bps to 4.64% alongside declines across major European and Japanese markets, while Australian yields rose sharply by 8bps.
- Yield on the India 10y benchmark traded a 6.76-6.89% range and ended at 6.77% compared to previous week close of 6.84%.
- 1y OIS came of 15bps this week to 5.77%. 5y OIS also came off 15bps to 6.26%. Overnight MIBOR fixings happened in 5.09-5.24% range this week. Banking system liquidity is in surplus of around Rs 3.4 lakh crs.
- 1y t-bill yield is at 5.68% while 1y A1+ CD is at 7.13%. 1y A1+ NBFC CP is around 7.65%
- 10y AAA PSU (Nabard) is yielding around 7.47% which is roughly 60bps above Gsec. 10y LIC is at 7.65%.
- FPIs net investment in domestic bonds is NIL August MTD

Our Views: What we like?

FX

Range bound trading continues in Dollar index.

We expect a 94.10-96.50 range for Rupee over the next few weeks.

USD/INR has strong support at 94.90 and 94.10, although geopolitical risks remain a key factor to watch.

Exporters are advised to hedge cautiously only to extent of in-hand orders and importers are advised to use the current dip to hedge

Fixed Income

We expect the yield on the India 10y to trade a 6.70-6.95% range for next few weeks.

Domestic system liquidity is likely to be in surplus on FCNR B flows. If the RBI sucks out liquidity through VRRR, it will keep money market and shorter end of the curve under pressure. Until the RBI sucks out liquidity on a durable basis, the pressure is likely to continue.

Commodities

Both base and precious metals rallied this week. We continue to remain bullish on both. Hard assets will continue to do well in the medium term in our view

Contact Us:
India Forex Asset & Management Pvt. Ltd.
+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.*