AUGUST 22ND , 2026

WEEKLY NEWSLETTER

FX Partner You Can Trust

US TREASURY REACTS TO TAME BORROWING COSTS

Global Development:

US treasury said this week that it would at least double buyback of longer dated US Treasuries. This is to reduce borrowing costs as long term yields are extremely elevated. This led to a brief rally in US treasuries. The gains were however short lived

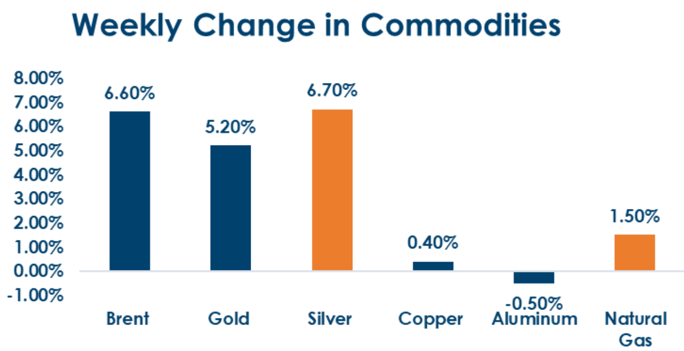
US said it would take unprecedented measures to cripple Iranian economy. A press conference on the same is due on Monday

RBI minutes were much more hawkish as compared to the policy statement which was quite neutral. Domestic rates and bonds sold off in reaction to the minutes

Premature closure of RBI swap window resulted in pressure on Rupee this week.

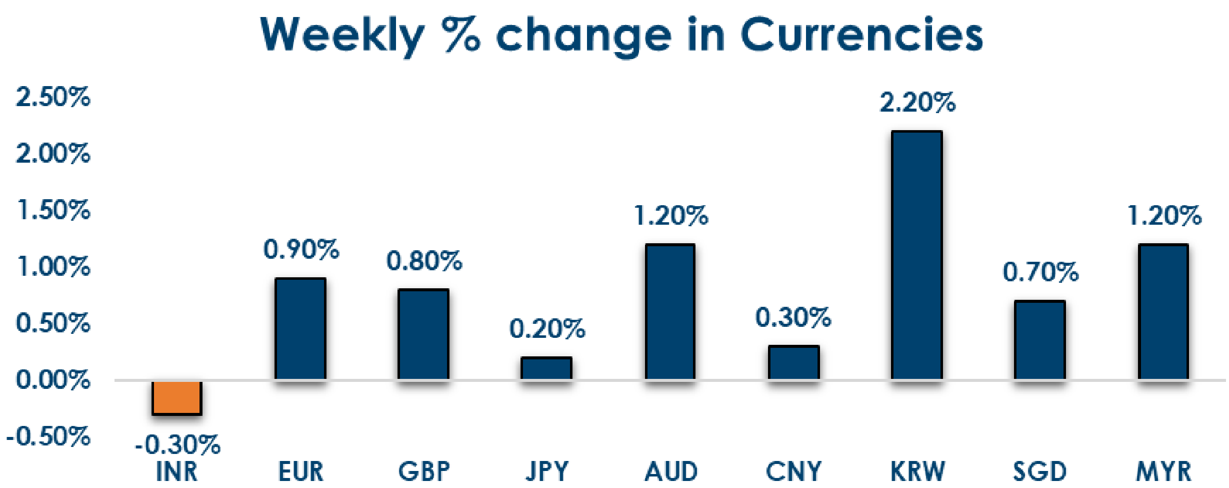
Commodities:

Commodities rallied broadly this week, led by Brent (+6.6%) and WTI (+5.7%) amid elevated geopolitical tensions, while Gold (+5.2%) and Silver (+6.7%) surged on safe-haven demand and a weaker dollar; European Natural Gas also gained 7.2%, whereas base metals remained largely subdued.



Foreign Exchange:

- The Dollar weakened broadly this week, with all G10 currencies strengthening against the greenback; NOK (+1.6%) and CHF (+1.5%) led the gains, followed by NZD (+1.4%), AUD (+1.2%) and EUR (+0.9%), while JPY (+0.2%) was the relative laggard.
- Euro strengthened 0.9% against the Dollar this week, supported by broad-based USD weakness and improving Eurozone sentiment.
- Sterling gained 0.8%, extending its weekly rally as resilient UK economic data and broad Dollar weakness supported the Pound.
- Most Asian currencies strengthened against the Dollar this week, led by KRW (+2.2%), THB (+1.5%) and MYR (+1.2%), while INR (-0.3%) and PHP (-0.4%) underperformed amid higher oil prices and local currency pressures.
- Rupee traded a 95.48-95.77 range this week and ended at 95.71 compared to previous week close of 95.44.
- The implied annualized forward yield curve remains relatively elevated across tenors, rising from 2.60% for 1M to 2.97% for 6M, before easing to 2.89% at 1Y and gradually rising to 3.16% at 5Y, indicating a firmer medium- to long-term forward premium structure.
- 3m ATMF implied volatility is at 4.20%
- FX Reserves rose USD 10bn to USD 716.9bn in week ending 14th Aug



Fixed Income:

- Global 10Y yields were broadly higher this week, led by France (+7bps) and Germany (+4bps), while the US rose 1bp to 4.73%; Japan was the key exception, with yields falling 4bps, as fiscal and inflation concerns kept pressure on long-term bond markets
- Yield on the domestic benchmark 10y traded a 6.77-6.88% range and ended at 6.85% compared to previous close of 6.76%
- Banking system liquidity is in surplus of more than Rs 3 lakh crs. Overnight MIBOR fixings happened in 5.16-5.24% range this week. 1y OIS ended 18bps higher at 5.92% this week. 5y OIS rose 22bps this week to 6.47%
- 1y T-bill is at 5.73% and 1y A1+ bank CD is at 7.35%. 1y A1+ NBFC CP is around 7.67%
- 10y AAA PSU is yielding around 7.63% annualized and 10y LIC around 7.84%
- FPI sold net USD 250mn of domestic bonds in August so far

Our Views: What we like?

FX

Dollar index finally broke from the range and weakened against majors this week. US yields rose less this week compared to other DMs on US treasury measures. Yield divergence pushed Dollar lower.

Rupee underperformed as Brent remained elevated.

Intraday ranges were narrow as market participants want to position long Dollars but are fearing RBI presence around 95.80. Interbank activity and participation therefore seemed muted.

We see the Rupee trade a 94.80-96.80 range over the next few weeks.

Exporters are advised to hedge cautiously only to extent of in-hand orders through participating structures while importers are advised to hedge on any dips.

Fixed Income

Surprisingly hawkish RBI minutes led to a sell off in rates and bonds this week

We expect the RBI to conduct long term VRRRs to suck liquidity on a more durabale basis as current surplus is inconsistent with tone of meeting minutes. We could see some pressure on money market rates in near term.

Commodities

We continue to remain bullish precious metals and base metals.

We believe hard assets will continue to do well.

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