AUGUST 15TH , 2026

WEEKLY NEWSLETTER

RBI ANNOUNCES EARLY CLOSURE OF FCNR B SWAP WINDOW

Global Development:

RBI said that so far USD 56.9bn had been received under its swap facility with USD 52.3bn in the form of FCNR B deposits. Encouraged by the response, it announced early closure of FCNR B swap window on 31st Aug instead of 30th Sep earlier.

India goods trade deficit hit a 6 month high of USD 32bn in July despite record exports

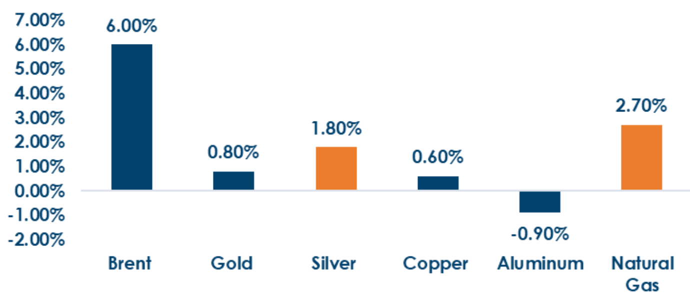
In further evidence of slowing US economy, US headline and core CPI came in line with expectations while PPI came in below expectations. US July retail sales also came in weaker than expected

Trump said he will soon declare the SoH as US territory. Meanwhile, diplomatic talks remain deadlocked and that is keeping geopolitical risk premium elevated

Commodities:

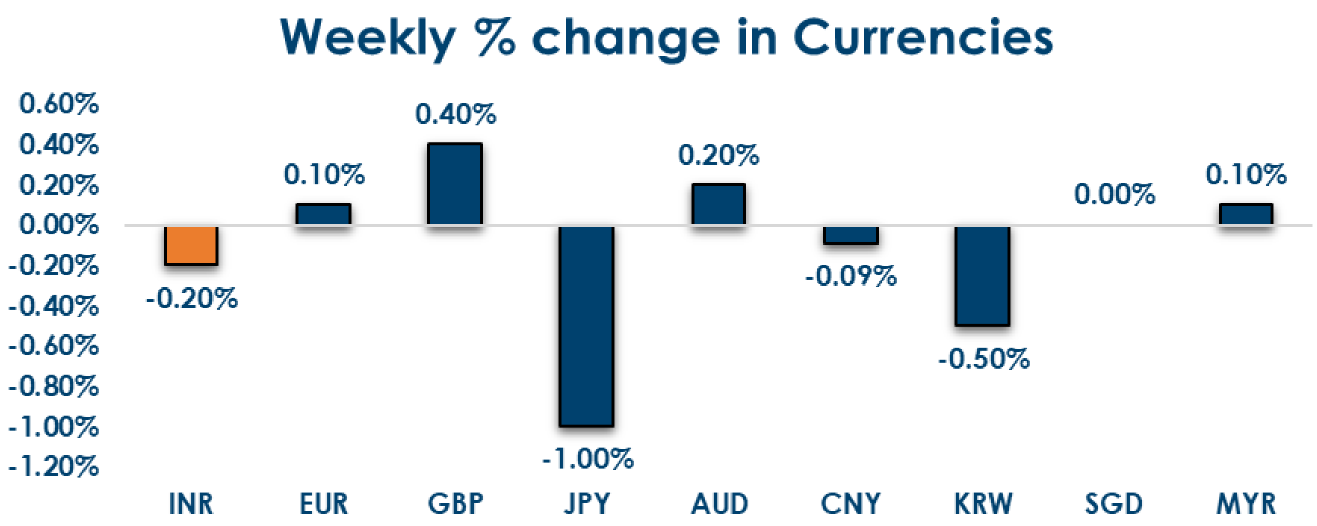
Energy prices led the commodities rally this week, with Brent (+6.0%), WTI (+5.4%) and European natural gas (+10.6%) sharply higher, while base and precious metals remained relatively steady.

Weekly Change in Commodities



Foreign Exchange:

- G10 currencies were broadly stronger against the Dollar this week, led by NOK (+0.8%), CAD (+0.5%) and GBP (+0.4%), while JPY (-1.0%) and CHF (-0.7%) were the biggest underperformers.
- EUR gained 0.1% against the USD this week, remaining broadly stable amid mixed G10 currency moves.
- GBP strengthened 0.4% against the USD this week, outperforming the EUR as the Dollar softened modestly.
- Asian currencies were mixed against the Dollar this week, with TWD (+0.9%) and IDR (+0.4%) leading gains, while PHP (-0.9%), KRW (-0.5%) and THB (-0.3%) underperformed; INR weakened 0.2%.
- Rupee traded a 95.17-95.45 range this week and ended at 95.44, compared to previous week close of 95.21.
- USD/INR forward premia remained relatively stable across the curve, with implied annualized yields ranging from 2.55% at 1M to 3.06% at 5Y, indicating a gradual upward slope.
- 3m ATMF implied volatility is at 4.23% from 4.80% last week
- FX Reserves rose USD 14.1bn to USD 707bn in week ending 7th Aug reflecting the impact of Buy-Sell swaps done by RBI.



Fixed Income:

- Global 10Y yields were mixed this week, with UK, France, Japan and South Korea rising 5–6bps, while US and Switzerland yields declined marginally by 1bp and 2bps respectively.
- Yield on the domestic benchmark 10y Gsec ended 1bp lower this week at 6.76% after trading a 6.75-6.80% range intraweek.
- Overnight MIBOR fixings happened in 5.13-5.28% range. Banking system liquidity is in surplus of more than Rs 3 lakh crs.
- 1y OIS ended the week 3bps lower at 5.74% while 5y OIS ended the week flat at 6.26%
- 12m A1+ CD is at 7.07% and A1+ NBFC CP is at 7.50%, compared to 12m T-bill at 5.70%.
- 10y Nabard is around 7.45% and 10y LIC around 7.65%
- FPI net investment in domestic bonds is NIL in August MTD.

Our Views: What we like?

FX

G10 FX vols have collapsed. Price action is extremely dull and range bound.

Rupee continues to remain under pressure on geopolitical uncertainty. We likely saw RBI intervene around 95.45 this week.

Premature closure of swap window may be due to fear of more than expected inflows which would pose sterilization problems for RBI given that banking system liquidity is already in surplus of more than Rs 3 lakh crs.

We expect Rupee to remain rangebound in 94.80-96.50 over next few weeks with weakening bias.

Exporters are advised to hedge through participating structures while importers are advised to buy on any dips to 94.80-95.10

Fixed Income

Yield on the 10y is expected to remain range bound in 6.70-6.95% over the next few weeks.

Banking system liquidity surplus is likely to keep money market rates under pressure until RBI withdraws liquidity on durable basis

Commodities

We continue to remain bullish on precious metals.

Energy prices are likely to be headline driven

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