

DECEMBER 27TH, 2025

FX Partner You Can Trust

WEEKLY NEWSLETTER

TIS THE SEASON: REFLECTIONS AND PROJECTIONS



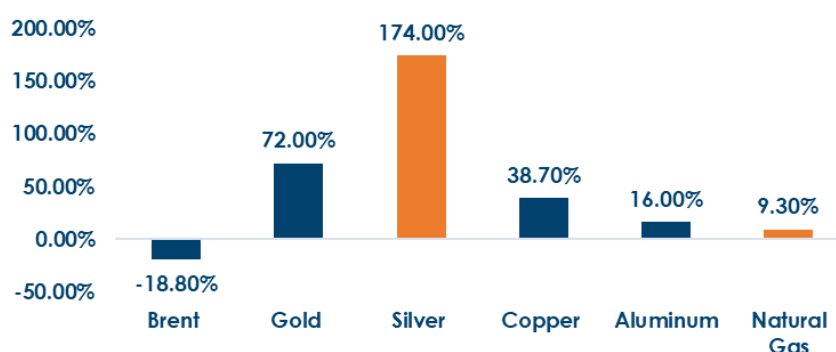
Global Developments:

- As we come to the end of 2025, it is a great time to unwind, rewind, and brace for 2026.
- We touch upon the key drivers, themes, and narratives of 2025 and share perspectives and outlook for 2026 across all asset classes

Commodities

- Major commodities delivered sharply divergent returns this year, with Brent down 18.8% while industrial metals and precious metals rallied strongly—LME Aluminium up 16%, Copper 38.7%, Gold 72%, Silver 174%, Platinum 171%, and Palladium 113%.
- Precious metals were driven by Dollar weakness and the de-dollarization narrative. Silver skyrocketed on its dual appeal as a safer haven and a good conductor for industrial usage.
- Base metals too rose on Dollar weakness, supply concerns, and optimism around China's demand revival.
- Brent fell this year as OPEC+ increased production (rolled back production cuts).

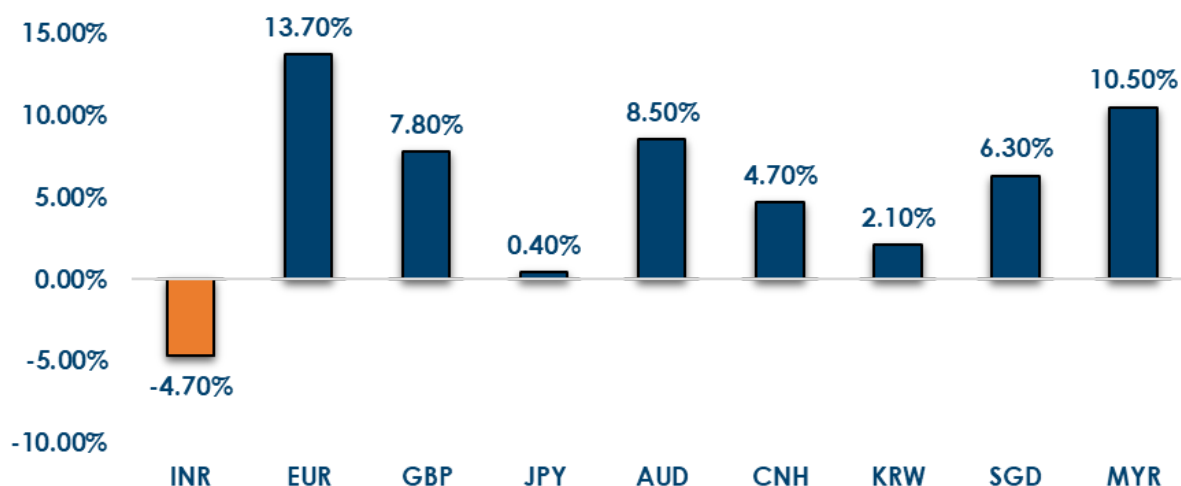
Yearly Change in Commodities



Foreign Exchange

- This year, G10 currencies saw wide divergence, led by SEK with a 21% gain, followed by CHF (15%), NOK (13.8%), EUR (13.7%) and DKK (13.5%), while AUD (8.5%), GBP (7.8%), CAD (5.2%), NZD (4.3%) posted moderate gains and JPY lagged with just a 0.4% rise.
- The euro's strong performance reflects improved sentiment around the Eurozone, supported by stabilising growth expectations and relatively tighter financial conditions versus peers.
- Sterling's moderate gains indicate resilience, aided by steady domestic data and policy support, though upside remains capped by lingering growth and fiscal concerns.
- The dollar was weak against Majors as a clear policy difference emerged Fed and other central banks. The De-Dollarization theme also played out amid the imposition of tariffs by the US. Central banks moved to diversify their Reserves. Yen weakened as the new PM took over, who is seen as pro-monetary easing and fiscal stimulus
- Asian currencies showed a mixed performance this year, with the Malaysian ringgit (MYR) leading gains at 10.5%, followed by the Thai baht (9.7%) and Singapore dollar (6.3%), while the Indian rupee (-4.7%) and Indonesian rupiah (-3.9%) underperformed, and the Hong Kong dollar remained flat.
- The penal tariff of 25% for procuring crude from Russia weighed on the Rupee. This widened tariff differential with peers. Rupee underperformance initially was likely engineered to correct overvaluation and combat the effect of tariff differential but subsequently as the central bank ammunition depleted, and trade deal and inflows remained elusive, it became muscle memory, and market positioning started getting lopsided. This added to RBI's woes as it was already considerably short in forwards, including NDF.
- Amid Dollar weakness, the Rupee significantly underperformed, leading to a sharp surge in Cross/INR rates—EUR/INR rose 18.5% (the Rupee's worst performance since 1991), GBP/INR climbed 12.7% (worst since 2013), and CNH/INR also marked its weakest showing since 2013.
- FX Reserves were USD 640bn at the beginning of the year and are at USD 693bn now, with a significant chunk of the increase coming from revaluation gains of non-USD assets, especially Gold. Gold Reserves rose from USD 66bn to USD 110bn largely on revaluation gains. Net short forward position was USD 68bn as on Dec end 2024 and USD 63bn as on Oct end 2024.

Yearly % change in Currencies



Fixed Income

Yield on US 10y came off 50bps this year while yields in the Eurozone were up anywhere between 20-50bps, with Italy being the exception (almost unchanged yoy).

Yield on 10y JGBs surged 94bps, past 2% for the first time since 1998.

Yield on the benchmark 10y fell 20bps to 6.56% this year while RBI cut repo rate by 125bps to 5.25%. The onus of driving growth shifted to monetary policy from fiscal policy. Direct and indirect tax cuts leave little fiscal room for increasing spending. Increase in supply of SDLs and concerns over the quality of state expenditures have contributed to the widening of SDL spreads over Gsec.

Our Views: What we like?

FX

We expect the Dollar to continue to trade with a weak bias overall, especially against majors. Rupee may continue to underperform as the RBI's ability to hold off on Rupee may keep getting tested until the flow picture improves. We expect the Rupee to trade in a 87.60-92.50 range this year

Fixed Income

We believe it is a great time to hold duration in U.S. Treasuries. We believe the Fed will cut rates faster than what the market is currently pricing in and see its balance sheet expanding. On the domestic front, we expect the repo rate to be at 5.25% for several months and banking system liquidity to be in ample surplus. We see RBI OMOs keeping the longer end of the curve capped. We therefore believe it is a good time for a carry roll-down strategy. 6.70% may be capped on the benchmark 10y over the next few months.

Commodities

While the precious metal rally may look overstretched, there is a huge FOMO factor. We will likely see buying coming in at dips. The Weak Dollar should continue to support as well. We remain positive on precious metals, especially Gold. It may continue its march towards USD 5000 in 2026. Base metals have also broken out, and we believe we will see a follow-through in 2026. We expect Brent to be in the USD 55-70 per barrel range in 2026.

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.*

www.ifaglobal.net