DECEMBER 06TH , 2025

WEEKLY NEWSLETTER

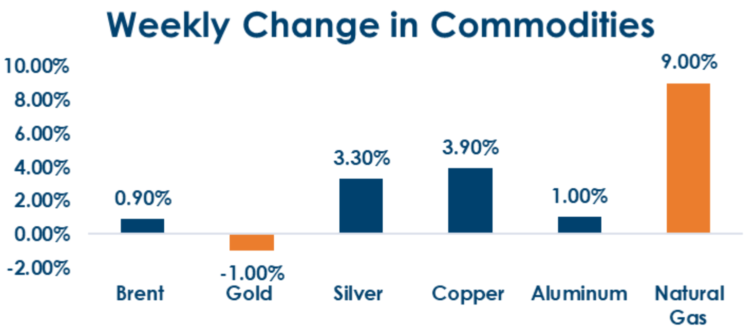
RUPEE HITS NEW ALL-TIME LOWS AS RBI GIVES UP DEFENCE OF 88.80

Weekly Developments:

- RBI cut the repo rate by 25 bps to 5.25% (unanimous vote); stance maintained as neutral.
- One MPC member voted to shift stance to accommodative.
- OMO purchase of ₹1 lakh crore announced for December to inject liquidity.
- USD 5 bn Buy-Sell swap (3-year tenor) scheduled for December, adding ₹45,000 crore liquidity.
- Growth remains RBI's priority amid benign headline and core inflation.
- The buy-sell swap indicates that the RBI is offsetting spot USD sales used earlier to curb rupee depreciation.
- Ample liquidity is expected to aid policy transmission.
- Upcoming focus: US Fed policy; 25 bps rate cut widely expected.

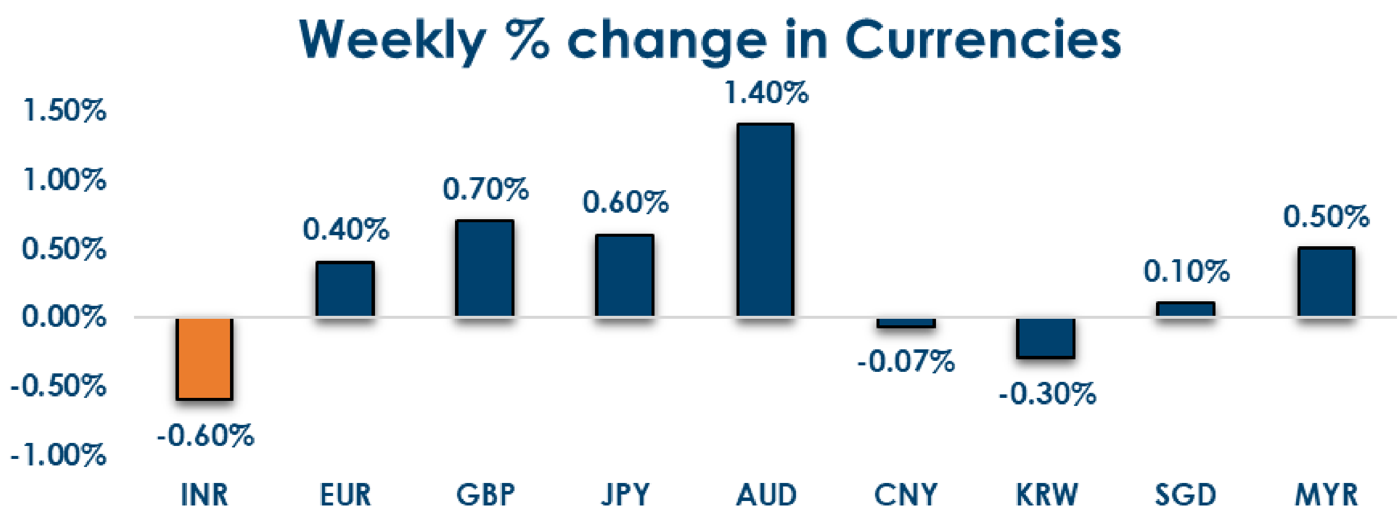
Commodities

- Major commodities saw mixed movement this week, with Brent (+0.9%), natural gas (+9%), aluminium (+1%), copper (+3.9%), and silver (+3.3%) gaining, while gold dipped (-1%).
- Silver and Copper continue to rally. Weak Dollar and Fed cut expectations are helping the commodity complex.



Foreign Exchange

- Most G10 currencies strengthened against the dollar this week, led by AUD (+1.4%), CAD (+1.2%), and NZD (+0.7%). European currencies saw modest gains, with GBP (+0.7%), JPY (+0.6%), SEK (+0.5%), EUR/DKK (+0.4%), and NOK (+0.2%) inching higher. CHF (-0.1%) was the only laggard, posting a slight decline.
- The Euro's modest 0.4% gain reflects a softer USD backdrop, but lingering Eurozone growth concerns continue to cap upside
- Sterling's 0.7% rise signals resilient UK data and improving risk sentiment, keeping GBP supported against broad USD weakness.
- Asian currencies were mixed this week, with MYR, TWD, and THB leading gains at +0.5%, followed by modest upticks in IDR and SGD (+0.1%). CNH and HKD were flat, while KRW (-0.3%), PHP (-0.5%), and INR (-0.6%) underperformed, with the Indian rupee emerging as the weakest in the region.
- Rupee continued to underperform its Asian peers and breached the psychological level of 90 to hit all time lows of 90.42 against the Dollar this week.
- Rupee traded a 89.46-90.42 range this week and ended at 89.99
- The RBI seems to be following a light touch intervention approach instead of a 'line in the sand' kind of heavy handed approach.
- The implied yield curve shows a mild downward bias in the near term, with 1–12 month forwards easing from 2.90% to 2.47%. However, beyond one year, the curve turns upward, with yields rising steadily to 3.30% at the 5-year point.
- Near term forwards rose on Dollar glut while far forwards came off on Buy-Sell swap announcement. 3y forward yield dropped 16bps on Friday as a result of swap announcement
- 3m ATMF implied volatility continues to remain relatively well behaved at



Fixed Income

US 2y and 10y yields rose 3bps and 5bps respectively this week to 3.56% and 4.13%

10y yields across the Eurozone rose 2-4bps this week

10y JGB yield rose 8bps to 1.93%

Yield on the benchmark 10y traded a 6.45-6.54% range and ended at 6.50%, just 1bp lower than last week's close. The 5 bps initial drop post-OMO announcement quickly faded.

RBI said that it would not buy SDLs as part of OMO purchases.

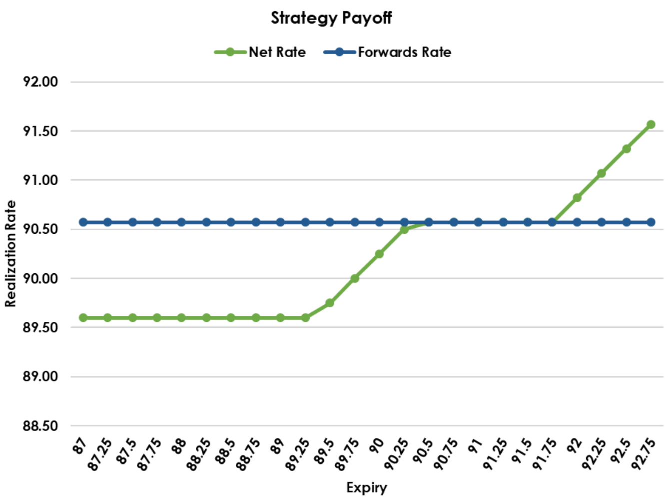
1y OIS dropped 3bps to 5.43% while 5y OIS rose 3bps this week to 5.79%. Banking system liquidity is in surplus of more than Rs 2 lakh crs.

10y AAA PSU Spread over Gsec is 50bps and that of 10y NBFC is 85bps.

Option Structures for Exporter Importer

IMPORT SEAGULL

Spot ref 90.00
Tenor 3m
Buy call Atmf (90.57)
Sell put 89.60
Sell call 92.00
Net cost 10 ps



EXPORTER ENHANCED COLLAR

Spot ref 90
Tenor 6m
Fwd level 91.16
Buy put 91
Sell call 91.16 with eki at 92.20
Net zero cost

Our Views: What we like?

FX

We believe the Fed policy will be the last major trigger for the year. After that, the liquidity will start thinning out till year-end. The dollar is likely to continue trading with a weakening bias against majors. We expect the Rupee to consolidate in the 89.40-90.40 range for some time. The momentum on the upside is likely to reduce.

Fixed Income

Yield on the benchmark 10y is likely to continue trading in the 6.45-6.60% range. 10y SDLs and NBFC papers are offering attractive yield pick up. 5y OIS is likely to trade a 5.65-5.85% range broadly, with moves to either side giving a good trading opportunity.

Commodities

We expect base metals to continue to rally on a weaker Dollar and amid positive risk sentiment. Gold may see some profit-taking, while momentum in Silver will likely push it higher to new all-time highs. Brent is likely to trade sideways in the USD 58.5-65.5 per barrel range.

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