

FEBRUARY 14TH, 2026

WEEKLY NEWSLETTER

DOMESTIC IT STOCKS PLUNGE ON AI DISRUPTION FEARS



Global Developments:

- US Inflation Update: **January headline CPI came in lower than expected, indicating easing inflationary pressures.**
- Fed Rate Expectations: The OIS market is now pricing in **~2.5 rate cuts** by the Federal Reserve by end-2026.
- US Labor Market: The **January jobs report**, released earlier this week, **remained solid, highlighting continued resilience in employment data.**
- Domestic IT Stocks: **A sharp sell-off was witnessed amid AI disruption concerns. The IT index declined by over 8%** during the week.
- Japan Markets: **Japanese equities outperformed** after PM Takaichi's landslide victory in the general elections, reducing political uncertainty and boosting expectations of fiscal stimulus.
- Korea Markets: **Korean stocks outperformed**, driven by optimism in the **semiconductor (chip) sector.**

Commodities:

- Energy prices declined (Brent -0.4%, US Gas -5.2%, EU Gas -9%), base metals stayed subdued (Aluminum -0.2%, Copper -0.9%), while precious metals were mixed with Gold up 1.6% and Silver down 0.5%.
- Brent eased on optimism around US-Iran nuclear talks, and Natural Gas came off on warmer weather in the US and Europe, dampening heating-related demand outlook.

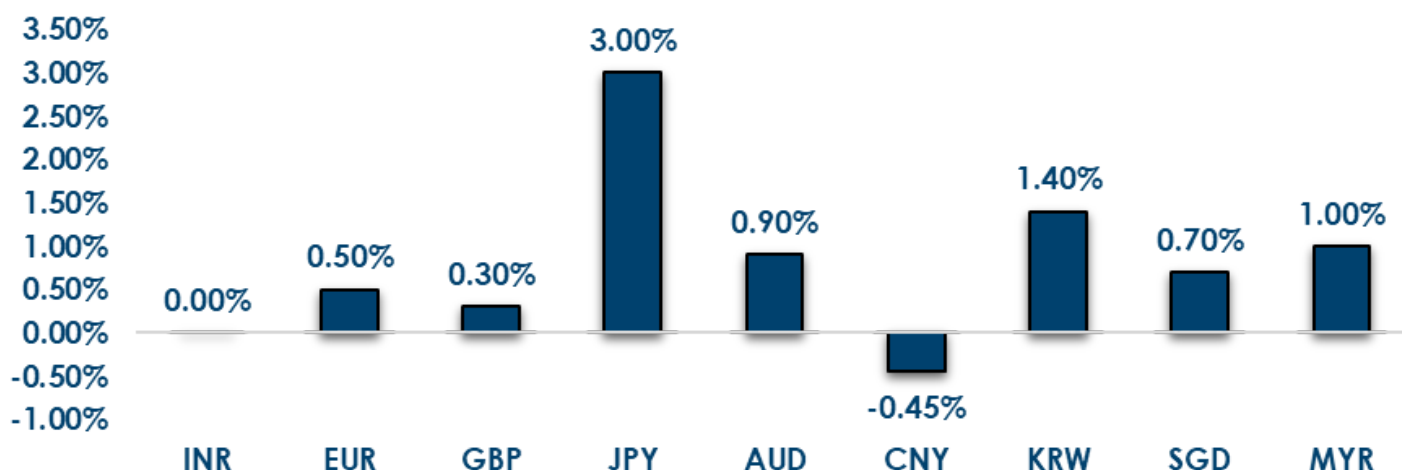
Weekly Change in Commodities



Foreign Exchange:

- The US Dollar weakened across major G10 currencies this week, led by JPY (+3%), followed by NOK (+1.8%), SEK (+1.2%), CHF (+1%), AUD (+0.9%), EUR (+0.5%), DKK (+0.4%), CAD (+0.4%), NZD (+0.4%), and GBP (+0.3%).
- Pound underperformed as UK PM Keir Starmer is facing historically the lowest approval ratings for a PM in the second year
- The Thai Baht (THB) led regional gains at +1.8%, followed by the Korean Won (KRW) at +1.4%, while MYR and PHP appreciated 1% each; SGD (+0.7%), TWD (+0.6%), CNH (+0.4%), and IDR (+0.2%) saw modest upticks, whereas INR and HKD remained flat against the Dollar.
- Broad-based strength across Asian currencies against the Dollar signals mild USD softness, which could lend near-term support to the Euro if the trend sustains.
- However, with INR and HKD flat, the move appears selective rather than structural, suggesting limited immediate upside momentum for the Pound sterling.
- Rupee traded a 90.37-90.85 range this week and ended at 90.64 compared to the previous week's close of 90.66. Offshore implied spot ended at 90.55
- The forward term structure remains upward sloping beyond the 6-month mark, with 1M at 2.06%, 3M at 2.57%, 6M at 2.46%, 12M at 2.53%, 2Y at 2.78%, 3Y at 2.96%, and 5Y at 3.35%, indicating relatively stable near-term premiums and a gradual steepening across the longer end of the curve.
- 3m ATMF implied volatility ended at 4.39%
- FX Reserves dropped USD 6.7bn to USD 717bn in the week ending 6th Feb.

Weekly % change in Currencies



Fixed Income:

Benchmark 10-year government bond yields softened across major economies this week, with the US (-15 bps) leading the decline, followed by the UK (-11 bps), France (-10 bps), Germany (-9 bps), India (-8 bps), Japan (-6 bps), and China (-2 bps), reflecting a broad-based easing trend in global fixed income markets.

Yield on the domestic benchmark 10y ended 8bps lower at 6.68% this week

Banking system liquidity is in an abundant surplus and that is why overnight MIBOR fixings have been happening around 5.08-5.09%. Weighted average TREPS rate has been way below 5% this week

1y OIS fell 3bps to 5.50% while 5y OIS ended the week 11bps lower at 6.07%

3m T-bill yield is at 5.27% while 3m CD is at 6.94%

10y AAA PSU Spread over Gsec is about 60bps and that of 10y AAA NBFC is 70bps

FPIs have invested net USD 1.1bn in domestic debt in February so far

Option Structures for Exporter Importer

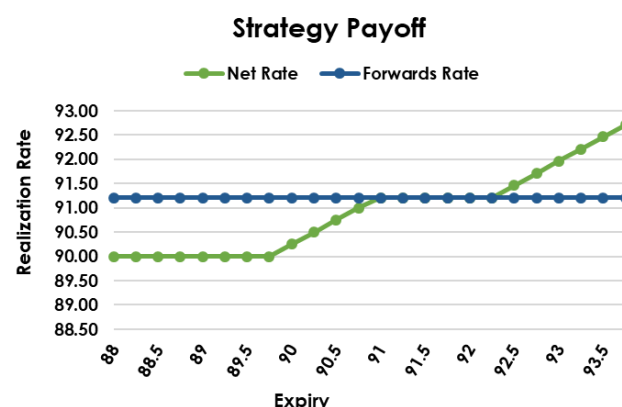
Exporter Enhanced Collar

Spot ref 90.40
Tenor 6m
Atmf 91.51
Buy put Atmf with knockout at 87.00
Cost 66 ps



Importer seagull

Tenor 3m
Atmf 91.21
Buy call Atmf
Sell put 90.00
Sell call 92.50
Cost 7 ps



Our Views: What we like?

FX

RBI seems to be protecting 90.80. With the flow picture having improved, we expect the Rupee to be range-bound and the RBI to be present on both sides. We expect a 90.00-91.10 range for the rupee for the next 6 weeks.

Fixed Income

Government switched 2027 maturities to 2040 and then alleviate some pressure on Bonds, causing yields to retrace we expect the 10y benchmark to trade a 6.60-6.80% range over the next few weeks

Commodities

We continue to believe that precious metals are a buy on dips. Gold around 4400-4500 is an attractive buy and so is silver around USD 65-70 per troy ounce

We may see some headwinds for industrial/base metals in times ahead

Contact Us:

+91 86557 85089 | info@ifaglobal.net

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