

JANUARY 10TH, 2026

WEEKLY NEWSLETTER

TRUMP BACKING BILL TO IMPOSE 500% TARIFFS SOURS SENTIMENT



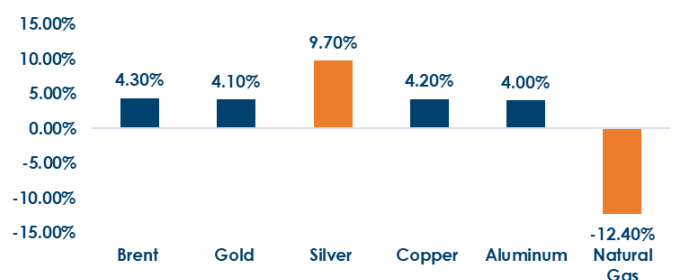
Global Developments:

- **Global geopolitics:** Headlines were dominated by the reported **US capture of Venezuelan President Maduro**. Markets are assessing the potential impact on crude supply and the likely timelines.
- **US macro:** December NFP came in weaker than expected at 50k vs 70k, while the unemployment rate was slightly lower at 4.4% vs 4.5%. **Markets are now pricing in two 25 bps Fed rate cuts by the end of 2026.**
- **Trade & Tariffs:** Domestic sentiment was impacted after **Trump backed the Graham–Blumenthal bill, which proposed 500% tariffs on countries importing Russian crude**. The US Supreme Court's ruling on the legality of Trump tariffs will be closely watched next week.
- **India growth outlook:** Advance estimates peg FY26 nominal GDP growth at 8% and real GDP growth at 7.4%, compared to 6.5% real GDP growth in FY25.

Commodities

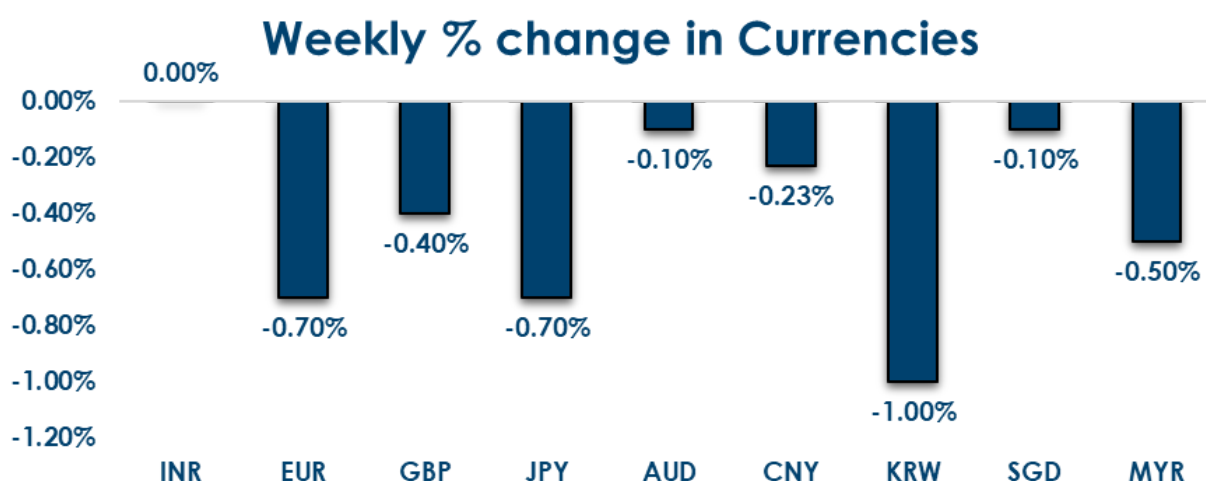
- Broad-based gains were seen across most commodities this week, led by Silver (+9.7%) and Iron Ore (+5.8%), while Brent crude rose 4.3% and base metals like Copper (+4.2%) and Aluminum (+4%) also moved higher; Gold advanced 4.1%, whereas US Natural Gas was the sole laggard, falling 12.4%.
- **Precious Metals:** Saw brief selling due to index rebalancing, but strong physical demand remains the key driver.
- **Copper:** Prices are firming up amid supply disruptions from Chile.
- **Crude Oil:** Supply concerns from Iran protests are outweighing expectations of Venezuelan oil returning to the market.

Weekly Change in Commodities



Foreign Exchange

- The US Dollar strengthened broadly, with CAD (-1.3%) and CHF (-1.1%) leading losses, while SEK (+0.1%) was the only gainer; most other G10 currencies declined between 0.1%–0.8% against the Dollar.
- The euro underperformed most G10 peers, declining 0.7% WoW vs USD, reflecting persistent growth concerns and a relatively stronger dollar tone.
- Sterling slipped 0.4% WoW vs USD, pressured by softer macro cues and cautious positioning ahead of key UK data.
- Asian FX was largely mixed to weaker against the USD this week, with THB outperforming (+0.3%), INR and HKD flat, while most other currencies saw mild depreciation led by KRW (-1%), PHP (-0.7%) and TWD (-0.6%).
- While the Rupee ended onshore at 90.16 after trading a 89.73-90.29 range intraweek, it ended at 90.30 in offshore
- 3m, 1y and 5y implied forward yields are 3.08%, 2.67% and 3.18% respectively
- 3m ATMF implied volatility is at 3.96%
- FX Reserves fell USD 9.8bn in the week ended 2nd Jan to 686.8bn
- USD 10bn Buy-Sell swap will be conducted by RBI on 13th Jan



Fixed Income

US curve bear flattened this week with 2y yield rising 8bps to 3.53% and 10y yield ending flat at 4.16%

UK 10y yield fell 13bps, and Yields across the Eurozone fell anywhere between 1bps to 10bps

Yield on the 10y JGB dropped 3bps to 2.08%

Yield on the domestic benchmark 10y rose 3bps this week to 6.64% After trading a 6.61-6.65% range intraweek

Banking system liquidity is almost neutral. Overnight MIBOR fixings happened in 5.34-5.54% range this week. 1y and 5y OIS were almost unchanged this week, ending at 5.49% and 5.96% respectively

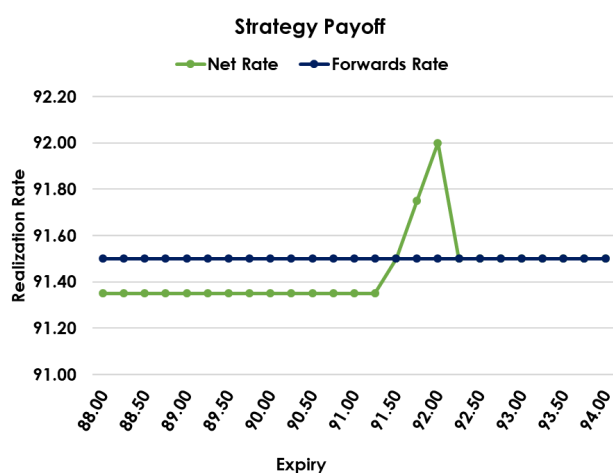
3m T-bill is at 5.31% while 3m CD is at 6.62%.

FPIs have invested net USD 500mn in domestic debt in January so far

Option Structures for Exporter Importer

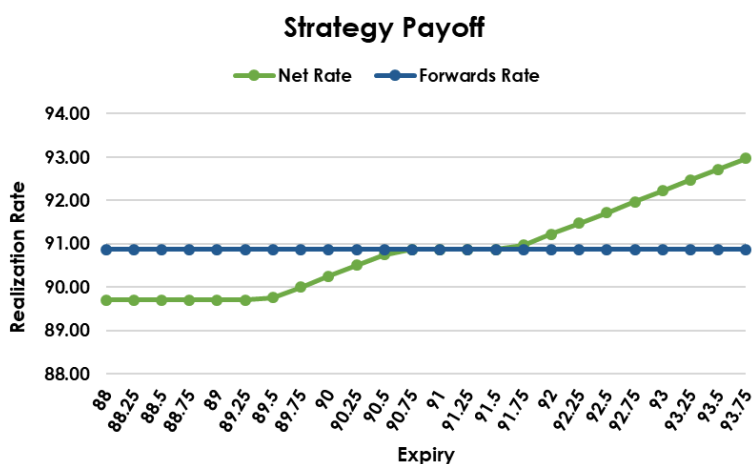
EXPORTER ENHANCED COLLAR

Spot ref 90.18
Tenor 6m
Fwd level 91.50
Buy put 91.35
Sell call 91.50 with eki at 92.20
Net zero cost



IMPORT SEAGULL

Spot ref 90.18
Tenor 3m
Buy call Atmf (90.87)
Sell put 89.70
Sell call 91.90
Net cost 7 ps



Our Views: What we like?

FX

Volatility in crosses has dropped sharply as majors i.e. EURUSD, GBPUSD and USDJPY are stuck in ranges. **We expect the Dollar to trade with a neutral tone and expect the ranges to prevail.** Rupee may continue to remain under pressure as nervousness is likely to continue on account of uncertainty around **the India-US trade relationship, especially given the recent development of the possibility of 500% tariff imposition on countries buying crude from Russia.** RBI has been intervening in the 90.20-90.30 zone but may step aside and allow the range to adjust higher if buying pressure continues.

Fixed Income

Banking system liquidity turning neutral is putting pressure on CD- t-bill spreads. **Buy-Sell swap will inject USD 90000crs into the system.** **We believe 6.60-6.70% range on 10y is attractive** to add duration and to the portfolio and to execute a carry roll down strategy.

Commodities

We expect the rally in base metals to continue. Brent may face selling pressure around current levels, given the supply overhang and weak demand. **Precious metals continue to remain buy on dips.**

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