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JULY 18TH, 2026

WEEKLY NEWSLETTER

ENERGY PRICES SPIKE AGAIN ON RENEWED US-IRAN TENSIONS

Global Development:

US continued to strike Iran this week while Iran retaliated by striking US military bases in Kuwait and Bahrain. US has struck Iran for 7 straight days now. The versions of whether both sides will get back to the negotiating table differ between the two sides. For now, the tensions seem escalating. This has given rise to fresh geopolitical uncertainty after both sides had agreed to talks earlier this month.

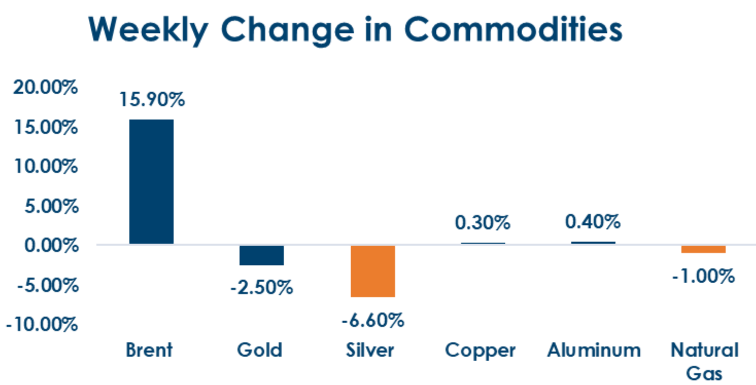
US inflation prints this week, both CPI and PPI surprised to the downside. Market is pricing in slightly more than 1 hike by the Fed by end of 2026.

AI stocks came under pressure globally this week. Nasdaq100 fell 4.1% on back of sell off in core chip index which fell 10% this week, registering it's worst weekly performance this year

Key event to focus on next week will be the ECB rate decision. ECB is expected to keep rates on hold.

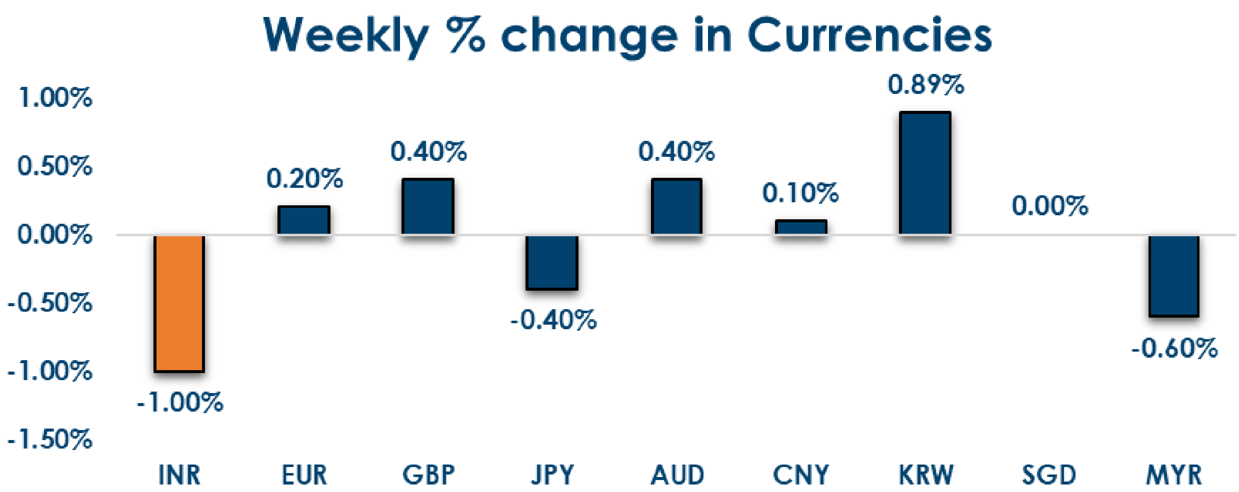
Commodities:

Commodity markets were dominated by strength in the energy complex, with oil and European natural gas surging on heightened geopolitical risks. In contrast, gold and silver declined as improving risk sentiment and profit-taking weighed on precious metals.



Foreign Exchange:

- The US Dollar weakened against most G10 currencies this week, with the New Zealand Dollar and Norwegian Krone leading gains. The Japanese Yen was the only major underperformer, declining as investors rotated into higher-yielding and risk-sensitive currencies.
- The Euro gained 0.2% against the US Dollar this week, supported by broad-based Dollar weakness and steady market sentiment, though it lagged the stronger advances seen in commodity-linked G10 currencies.
- The British Pound gained 0.4% against the US Dollar this week, supported by broad-based Dollar weakness
- Most Asian currencies traded mixed against the US Dollar this week, with the Indonesian Rupiah and South Korean Won outperforming, while the Indian Rupee was the weakest performer.
- Rupee was the worst performing Asian currency this week. It traded a 95.93-96.40 range and ended at 96.28, compared to last week close of 95.33.
- The USD/INR forward curve remained broadly stable this week, with implied annualized yields hovering around 3% across the curve and the 5-year tenor offering the highest implied yield at 3.36%.
- 3m ATMF implied volatility is at 4.94%.
- FX Reserves rose USD 1bn in week ending 10th July to 675.2bn.



Fixed Income:

- Global bond yields were mixed this week, with US and Japanese 10-year yields declining, while European core bond yields edged higher amid diverging policy expectations.
- Yield on the domestic 10y benchmark rose 7bps this week to end at 6.78%.1y OIS rose 15bps this week to 5.92%. 5y OIS rose 21bps this week to 6.38%. Overnight MIBOR fixings happened in 5.27-5.44% this week.
- Banking system liquidity is in surplus of around Rs 80000crs.
- FPIs have invested net USD 900mn in domestic debt in July so far.
- 1y T-Bill yield is at 5.61% while 1y A1+ CD is yielding 7.25%.
- 10y AAA PSU is yielding 7.40-7.45% while 10y AAA NBFC is close to 7.60%.

Our Views: What we like?

FX

Dollar continues to be extremely range bound against majors. Yen is where we are seeing most action. Vols otherwise seem dead

Rupee vulnerability resurfaced as Crude prices spiked again. Inflows through ECB and FCNR B route have been underwhelming so far compared to initial optimistic estimates.

We expect USDINR to trade a 94.80-97 range over the next few weeks with risk to the upside

Fixed Income

Bonds and Rates sold off as energy prices spiked this week.

Domestic CPI print too came in higher than expected at 4.38%

We expect the yield on the 10y benchmark to trade a 6.70-6.95% range over the next few weeks

Commodities

Energy prices spiked this week and price action is likely to be headline driven

Gold and Silver seem to be in value territory where one can consider adding positions from a long term horizon perspective.

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