

JULY 11TH, 2026

WEEKLY NEWSLETTER

SHAKY US-IRAN CEASEFIRE UNNERVES MARKETS AGAIN



Global Development:

Strikes from both sides i.e. US and Iran followed by comments from Trump that ceasefire with Iran was over, jolted risk sentiment.

Immediate ask from US is that Iran declare the SoH open to shipping and assure that they will not attack transiting civilian vessels

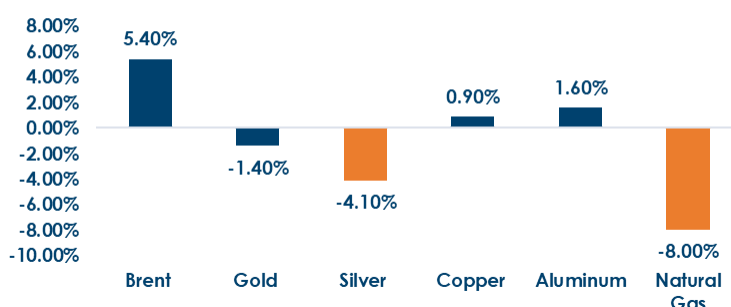
This caused crude prices to spike again, bond yields to rise, equities to correct. FX continues to be in its own low volatility regime.

There is an ebb and flow to the sentiment around AI as well with some sections of the markets worried about the fact that there has been over investment in that space.

Commodities:

Commodity markets witnessed mixed performance this week, with energy prices rallying on renewed geopolitical tensions, while precious metals retreated amid easing safe-haven demand.

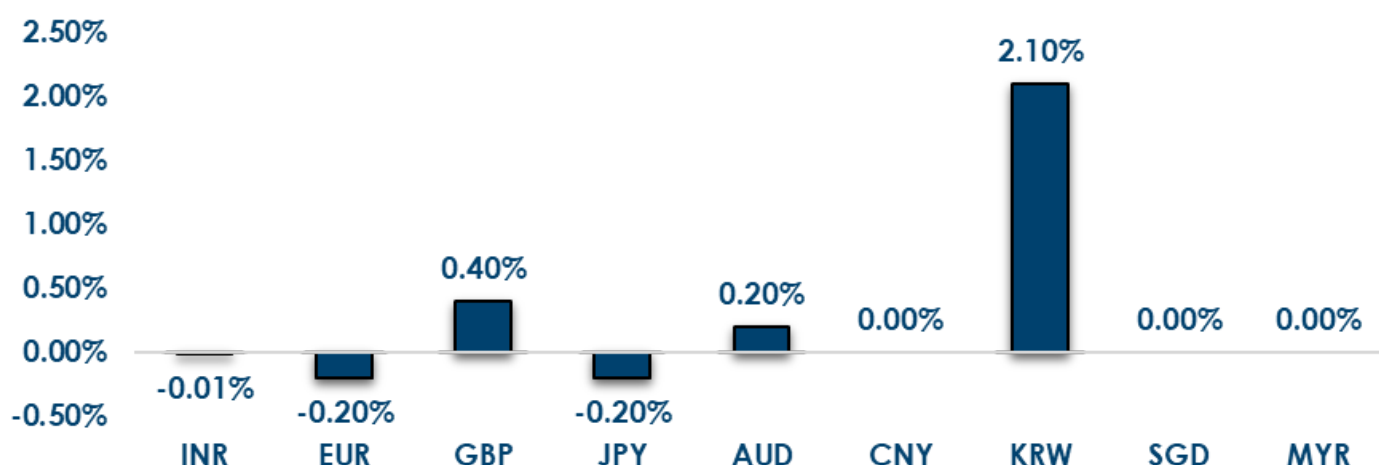
Weekly Change in Commodities



Foreign Exchange:

- The US Dollar traded mixed against major G10 currencies this week, with commodity-linked currencies outperforming, while the Swiss Franc and Japanese Yen weakened modestly.
- The Euro ended the week marginally lower against the US Dollar, reflecting cautious sentiment ahead of key macroeconomic developments
- The British Pound ended the week modestly higher against the US Dollar amid steady market sentiment.
- Asian currencies traded in a narrow range against the US Dollar this week, with the South Korean Won outperforming, while the Thai Baht, Indonesian Rupiah and Taiwan Dollar weakened.
- Rupee traded a 94.96-95.61 range and ended at 95.32 compared to previous week close of 95.25.
- The USD/INR forward curve remained relatively stable this week, with implied annualized yields softening across the short end before gradually steepening at the longer end.
- FX Reserves rose USD 7.3bn in the week ending 3rd July to USD 674.2bn
- 3m ATM implied volatility is at 4.85%

Weekly % change in Currencies



Fixed Income:

- Global sovereign bond yields moved higher this week as stronger US economic data and persistent inflation concerns pushed yields up across most major developed markets, while Japan bucked the trend.
- Yield on the benchmark 10y traded a 6.68-6.77% range and ended at 6.71% same as previous week close.
- 1y OIS ended the week flat at 5.77%. 5y OIS ended the week 2bps lower at 6.16%
- Overnight call fixings happened in 5.29-5.40% range this week. Banking system liquidity is in surplus of about Rs 1 lakh crs.
- 1y T-bill is at 5.61% while 1y A1+ CD is at 7.15% and A1+ NBFC CP is at 7.6%
- FPIs have invested net USD 1bn in domestic bonds in July so far

Our Views: What we like?

FX

Euro and Sterling vols are hovering close to all time lows.

Yen and Japanese bond yields is where the focus is. Japan is the biggest creditor for the US at this point. Rising yields on JGBs could result in higher UST yields.

We see the Rupee remain range bound in 94.90-95.80 in the coming week and expect it to trade a 93.40-97 range over the next several weeks

Fixed Income

US 10y yield is at crucial levels around 4.60%. Real yields in US are quite elevated.

India benchmark 10y bond yield is expected to be in 6.60-6.90% range over foreseeable future.

We believe 5y OIS is a receive on upticks. 5y MIFOR is also a receive in our view.

Commodities

We expect US real yields to cool off and therefore are bullish commodities.

We expect Gold and Silver to be supported around current levels and believe its a good investment opportunity from a 3-5y investment horizon perspective.

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