JULY 25TH, 2026

WEEKLY NEWSLETTER

NERVOUSNESS CONTINUES AS MARKETS AWAIT TRUMP PIVOT

Global Development:

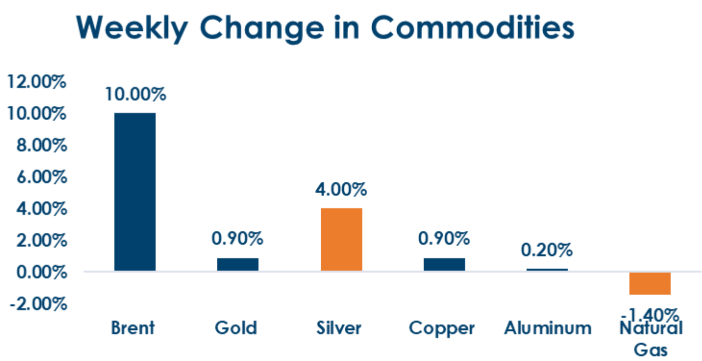
This time around Trump has not yet pivoted to a reconciliatory tone with Iran after an escalation and that keeps sentiment on the edge. US has struck Iran everyday for almost 2 weeks now. Ship Passage through SoH is nearly at a standstill. Houthi-Saudi clashes infact threaten to choke another key strait i.e. Bab-El-Mandab, resulting in further supply constraints .

Tariffs are back! US has imposed 10-12.5% tariffs on most major trading partners for failing to stop use of forced labor in supply chains. ECB kept rates unchanged this week, as expected and said that policy would be decided on a meeting to meeting basis.

We have the Fed, BoE and BoJ rate decisions next week. All 3 central banks are expected to keep rates unchanged. US Big Tech earnings have been in focus. While we are seeing a trend of revenue beats on strong demand, margin pressures are emerging on account of heavy Capex plans.

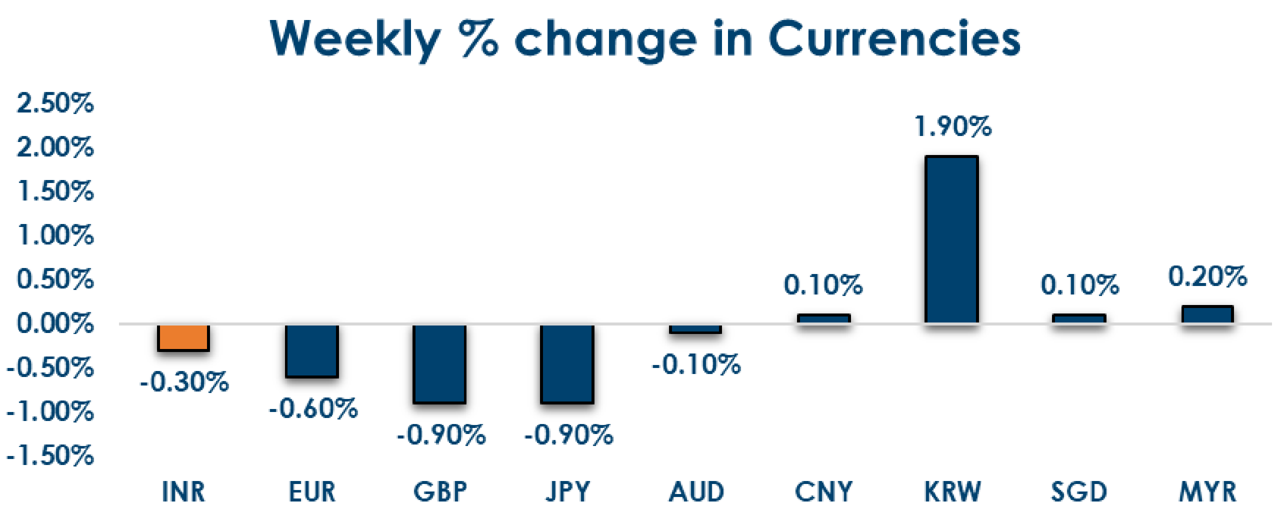
Commodities:

Crude prices rallied sharply this week, with Brent rising 10% to USD 96.8/bbl and WTI up 8.3% to USD 89.3/bbl on supply concerns, while European natural gas surged 11%; precious and base metals also ended higher, led by silver (+4%) and gold (+0.9%).



Foreign Exchange:

- The US Dollar strengthened against most G10 currencies this week, with the Swiss Franc (-1.3%) leading losses, while the Norwegian Krone was the only major currency to post gains (+0.7%) against the Dollar.
- The Euro weakened 0.6% against the US Dollar this week as higher US Treasury yields and firm Dollar demand outweighed support from the ECB's cautious policy stance.
- The British Pound fell 0.9% against the US Dollar this week as broad Dollar strength and rising US Treasury yields outweighed support from the UK's relatively firm economic outlook.
- Asian currencies were largely mixed against the US Dollar this week, with the South Korean Won outperforming (+1.9%), while the Indian Rupee (-0.3%) and Philippine Peso (-0.4%) weakened amid broad Dollar strength.
- Rupee traded a 96.13-96.67 range this week and ended at 96.57 compared to previous week close of 96.28.
- Long-term forward premiums eased this week, with the implied annualized yield curve flattening beyond one year as 5-year implied yields stood at 3.23% versus 2.82% for the 2-year tenor.
- 3m ATMF implied volatility stands at 5.10%
- FX Reserves rose USD 1bn in week ending 17th July to USD 676.2bn.



Fixed Income:

- Global bond yields moved higher this week, led by Australia (+13bps), Japan (+10bps) and the US (+9bps), reflecting persistent inflation concerns and expectations of higher interest rates, while China's 10-year yield eased 1bp.
- Yield on the 10y benchmark traded a 6.76-6.86% range and ended at 6.82% compared to previous week close of 6.78%.
- Banking system liquidity in a marginal surplus of around Rs 40000crs. MIBOR fixings happened in 5.14-5.44% range this week.
- 1y OIS rose 7bps this week to 5.99%. 5y OIS rose 11bps to 6.49%
- 1y T-bill is yielding 5.72% while 1y A1+ CD is at 7.22% and 1y A1+ NBFC CP is at 7.80%
- 10y AAA PSU is at 7.47% while 10y AAA NBFC is at 7.66%
- FPIs have invested net USD 2.8bn in domestic debt in July so far

Our Views: What we like?

FX

G10 FX continues to remain in tight ranges, except Yen which is at 40 year lows against the Dollar.

Higher US yields are imparting tailwinds to Dollar but there is no clear trend as of now.

Rupee continues to remain under pressure amid soaring crude prices.

While RBI will have cushion to intervene on account of FCNR B/ECB/OFCB flows, if Brent remains elevated, Rupee depreciation is likely. RBI may be able to just smoothen the pace of depreciation. RBI did mostly intervene in NDF before onshore open on Friday. While implied open was around 96.85, close to all time lows, RBI intervention got it to open much lower around 96.65.

We expect a 95.90-97.50 range for next few weeks.

Exporters are advised to hedge cautiously only to extent of in-hand orders and through participating structures while importers are advised to buy on any dips.

Fixed Income

We expect the Yield on the benchmark 10y to be in 6.70%-6.95% over the coming few weeks. One can look to add duration on any uptick above 6.90%.

5y OIS can be received around 6.60%.

Commodities

Brent is likely to be headline driven. European Natural Gas prices are soaring as well and there are concerns around stock levels.

Base metals have been steady. Gold and Silver seem supported around USD 3850 and USD 53 respectively and appear compelling to add to long term portfolios.

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