

JUNE 20TH, 2026

FX Partner You Can Trust

WEEKLY NEWSLETTER

CENTRAL BANKS SOUND HAWKISH AMID INFLATIONARY PRESSURES



Global Development:

US-Iran interim peace deal was signed this week, opening up a 60 day deadline to reach a final deal. US and Iran will negotiate during this period, mainly on future of Iran's nuclear program.

We had 3 key central bank rate decisions this week

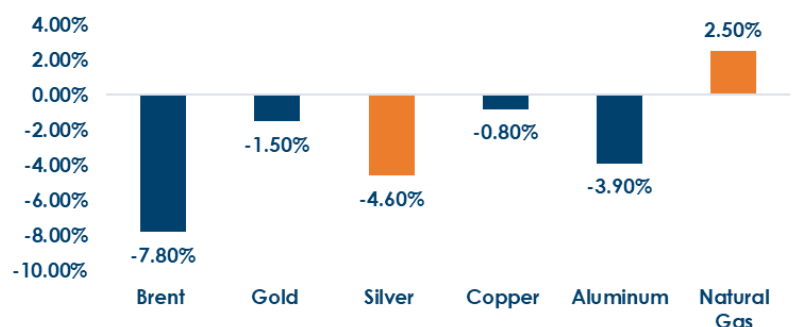
Fed delivered a hawkish hold this week. 9 out of 18 members see a rate hike by end of the year. Market is pricing in 1.5 hikes of 25bps by the Fed until December

BoE also kept rates unchanged. BoJ hiked 25bps to 31 year high of 1% and sounded hawkish.

Commodities:

Commodity markets witnessed a broad-based correction this week, with energy prices leading the decline as WTI crude fell 8.7% and European natural gas dropped 10%, while precious metals and industrial metals also ended the week in negative territory.

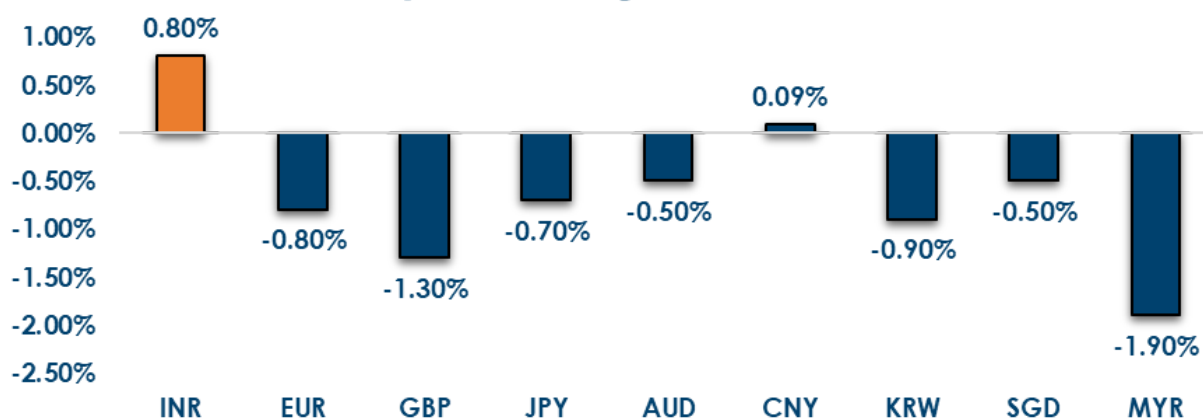
Weekly Change in Commodities



Foreign Exchange:

- The US dollar strengthened broadly against all G10 currencies this week, with the Norwegian krone and New Zealand dollar emerging as the weakest performers, while the Australian dollar proved relatively resilient amid a firm dollar backdrop.
- The euro weakened against the US dollar this week, declining 0.8% amid broad-based strength in the greenback.
- The British pound came under pressure, falling 1.3% against the US dollar as demand for the greenback remained firm.
- Asian currencies delivered mixed performance against the US dollar this week, with the Indian rupee and Philippine peso posting gains of 0.8% and 1.0%, respectively, while the Malaysian ringgit emerged as the weakest performer, declining 1.9%.
- Rupee traded a 94.17-94.78 range this week and ended at 94.33 compared to previous week close of 95.10.
- The INR forward curve remained relatively flat at the shorter end, with implied annualized yields hovering around 3%, before steepening beyond the three-year tenor, with five-year forwards offering an implied yield of 3.42%.
- 3m ATMF implied volatility stands at 4.73%
- FX Reserves fell USD 10bn in week ending 12th June to USD 671.6bn.

Weekly % change in Currencies



Fixed Income:

- Global bond markets were mixed this week, with 10-year yields edging lower in the US and Switzerland, while Japan led the rise in yields among major economies with a 7bp increase.
- Yield on the domestic 10y benchmark traded a 6.84-6.89% range this week and ended at 6.88% compared to previous week close of 6.89%
- 1y OIS ended 6bps lower at 5.90% while 5y OIS ended unchanged at 6.34%
- Overnight MIBOR fixings happened in 5.33-5.42% range this week
- Banking system liquidity is almost in neutral territory (very marginal surplus)
- 1y T-Bill yield is at 5.76% and 1y CD is at 7.40%
- 10y AAA PSU yield is around 7.55% while AAA NBFC is around 7.67%
- FPIs have invested net USD 3.1bn in domestic debt in June so far.

Our Views: What we like?

FX

Dollar index is at the top of the trading range it has been in for the last one year. We do not yet believe it is a breakout and would like to play ranges in Euro and GBP. Asian currencies outperformed G10 and Rupee outperformed most other Asian currencies this week. We expect the Rupee to trade sideways in 93.40-95.80 over the next several weeks.

Fixed Income

We are seeing FPIs inflows into domestic bonds and that should keep yields capped. Inclusion of India bonds in Bloomberg index could be a positive trigger. We expect the 10y to trade a 6.70-7% range over next several weeks. Raising ECB in USD and converting USD floating to INR floating seems attractive. OIS term premium is attractive to receive

Commodities

We believe gold and silver allocation is a must in portfolio. Current drop in global gold and silver prices coupled with Rupee strength offers a good opportunity to enter in our view.

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