

MARCH 07TH, 2026

FX Partner You Can Trust

WEEKLY NEWSLETTER

BRENT SEES BIGGEST WEEKLY GAIN IN 6 YEARS AS US-IRAN WAR INTENSIFIES



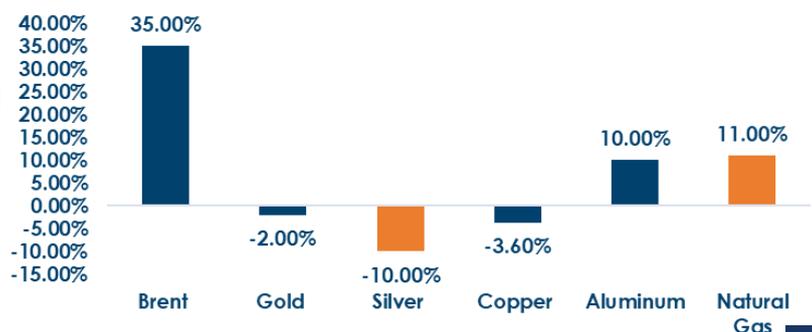
Global Developments:

- Energy prices surged this week as the escalating **US–Iran conflict** spread across multiple Middle East countries, heightening geopolitical risks.
- US reassurances — including temporary permission to purchase **Russian crude** and potential insurance for shipments through the **Strait of Hormuz** — did little to calm market concerns.
- **Donald Trump** stated that the US will now accept only an “unconditional surrender” from **Iran**.
- US Treasury Secretary **Scott Bessent** indicated that the US is preparing its **largest bombing campaign yet, expected on Saturday night**.
- Rising **inflation concerns** triggered a **global sell-off in bonds and equities**, while the **US Dollar strengthened** against major and emerging market currencies.
- Market sentiment weakened further after Bessent suggested that Trump’s proposed **15% global tariff (currently at 10%)** could be implemented soon.
- The **US January Jobs Report** disappointed, with **Non-Farm Payrolls (NFP)** coming in at **–92,000**, signalling weakness in the labour market.

Commodities:

- Energy prices soared this week as the US–Iran conflict deepened. US assurances did little to comfort the markets.

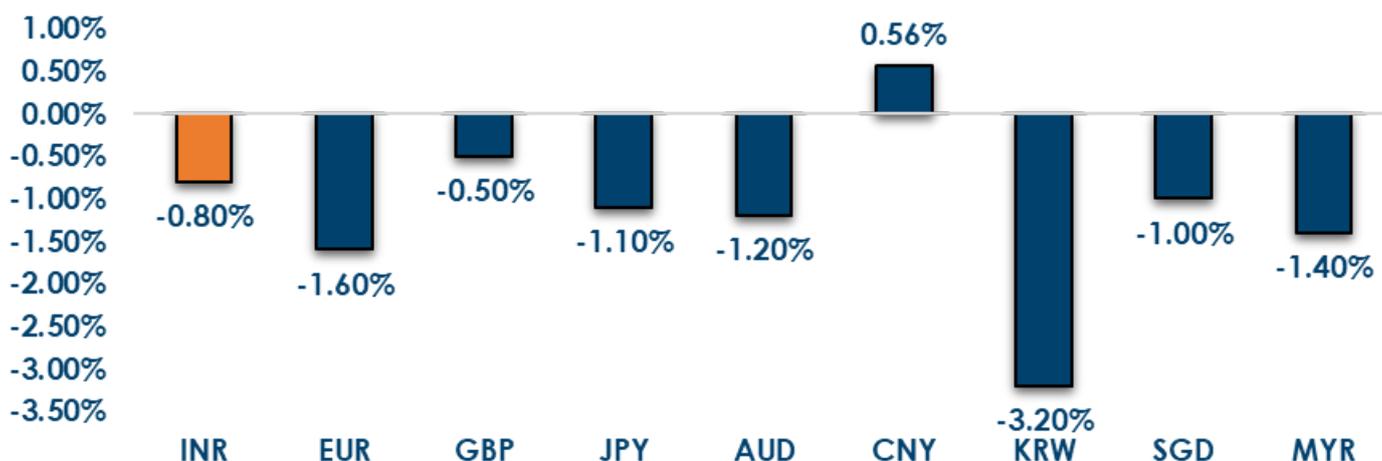
Weekly Change in Commodities



Foreign Exchange:

- Most G10 currencies weakened against the US Dollar this week, with the NZD (-1.7%), EUR (-1.6%), DKK (-1.6%), and SEK (-1.6%) leading the declines, followed by AUD (-1.2%), JPY (-1.1%), CHF (-0.9%), NOK (-0.7%), while GBP (-0.5%) and CAD (-0.5%) saw relatively smaller losses.
- Most Asian currencies weakened against the US Dollar this week, led by KRW (-3.2%), THB (-2.7%), and PHP (-2.3%), while TWD (-1.5%), MYR (-1.4%), SGD (-1%), INR (-0.8%), IDR (-0.8%), and CNH (-0.6%) also declined. HKD remained largely stable.
- The Euro (EUR) weakened 1.6% against the US Dollar this week, making it one of the worst-performing G10 currencies amid broad dollar strength.
- The British Pound (GBP) declined 0.5% against the US Dollar this week, reflecting mild pressure compared to deeper losses seen in other G10 currencies.
- Rupee traded in a 91.23-92.30 range this week and ended at 91.75 compared to last week's close of 90.98
- Forward Curve Update: Longer-term forwards softened slightly this week. The current curve stands at 1M: 3.43%, 3M: 3.34%, 6M: 2.92%, 1Y: 2.72%, 2Y: 2.84%, 3Y: 3.00%, and 5Y: 3.48%.
- 3m ATM implied volatility spiked to 5.10% from 4.25%
- FX Reserves rose USD 4.8bn to USD 728.5bn in the week ending 27th Feb, primarily on Gold revaluation gains

Weekly % change in Currencies



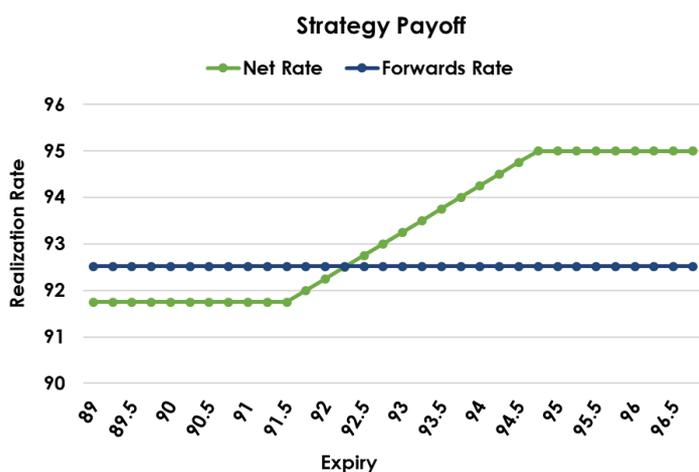
Fixed Income:

- Bonds sold off across on rising inflation expectations due to the crude spike. US 2y and 10y ended at 3.56% and 4.14% respectively
- Global Bond Markets:
- 10-year government bond yields moved higher across most major economies this week, reflecting tightening financial conditions. Yields rose +25 bps in the UK, +22 bps in France, +20 bps in Australia, +14 bps in Germany, +11 bps in Switzerland, +10 bps in the US, and +9 bps in Japan, while China's 10-year yield remained unchanged.
- Yield on the domestic 10y benchmark traded a 6.63-6.73% range this week and ended at 6.69% compared to the previous week's close of 6.66%
- Domestic rates sold off this week. 1y OIS spiked 13bps to 5.61% and 5y OIS spiked 23bps to 6.22% this week
- 1y T-bill yield is 5.60% while 1y CD is at 6.96%
- Banking system liquidity is in surplus of around Rs 3 lakh crs. MIBOR fixings have happened in 5.13-5.16%. The weighted average TREPS rate has been 5% or below 5% through the week.
- 10y AAA PSU spread over Gsec is 46bps, while 10y NBFC spread over Gsec is 67bps.
- FPI investment in debt has been flat in March so far.

Option Structures for Exporter Importer

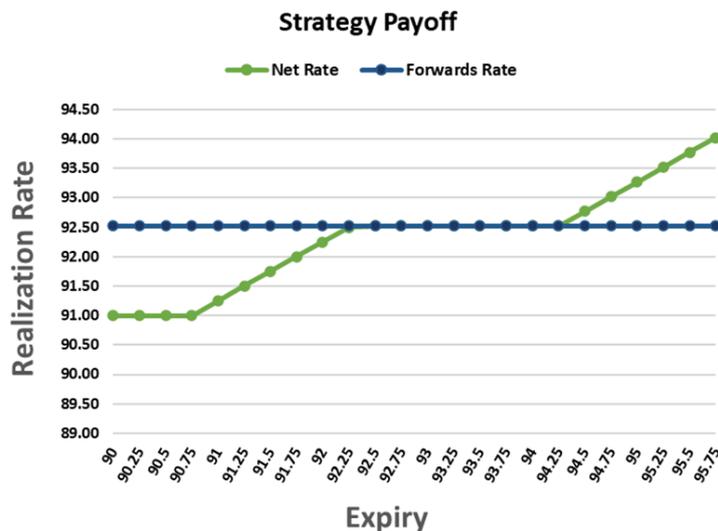
Exporter Risk Reversal

Tenor 6m
Buy put atms
Sell call 95
Net cost 3 ps



Importer seagull

Tenor 3m
Atmf 92.52
Buy call Atmf
Sell put 91.00; Sell call 94.50
Cost 22 ps



Our Views: What we like?

FX

We are likely to see the currencies of energy-deficient countries underperform till the conflict continues. Europe and Japan have huge dependencies on the Gulf for Natural Gas. India and China are also heavily reliant on Middle East supplies of crude and gas. The sensitivity of USDINR to Brent is much higher during periods of Brent volatility than in normal market conditions. RBI may step in to curb the pace of Rupee depreciation. However, any dip in our view should be used to buy into. 91 is now likely to act as a key support for USDINR. We could likely see some resistance in the 93-93.20 zone.

Fixed Income

Rates sold off this week on inflationary concerns, given the Brent move. While move in Gsec may be muted on OMOs, given that supply for the current fiscal is over, Rates may continue to sell off. If elevated crude prices persist, the RBI may be compelled to consider tightening. RBI announced a Rs 1 lakh crs OMO purchase after market close yesterday. We expect the 10-year to trade in a 6.60-6.85% range for the coming few weeks

Commodities

We are seeing bizarre correlations play out. One would expect base metals and to drop and precious metals to rally during risk off times, particularly given inflationary concerns. However this week we saw exactly the opposite. We believe this breakdown in correlations may not play out for long and therefore prefer buying precious metals on dips. Silver around USD 70-75 and Gold around USD 4600-4800 are good levels to enter.

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