

MAY 09TH, 2026

FX Partner You Can Trust

WEEKLY NEWSLETTER

RISK SENTIMENT AFLOAT ON TRUCE HOPES, STELLAR WALL STREET EARNINGS



Global Development:

Axios report stating that US and Iran were closing in on an agreement to end the war turned risk sentiment around during the week. There have been incidents of attacks reported in SoH but markets continue to remain optimistic.

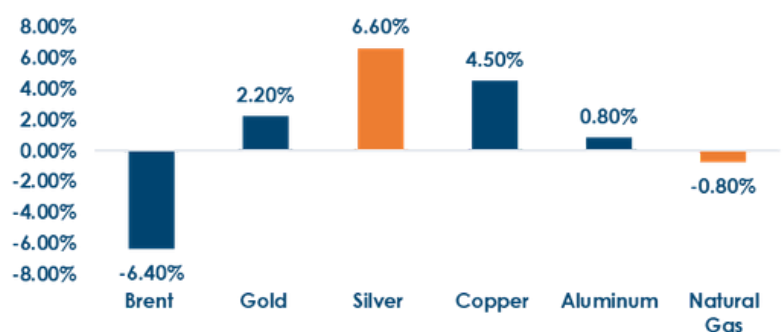
US labor data continued to surprise on upside with headline NFP print coming in at 115k against expected 65k

US earnings season has been exceptionally strong. Roughly 84% of companies that have reported have delivered a positive earnings surprise for Q1.

Commodities:

- Commodity markets witnessed broad divergence this week, with crude oil prices falling sharply over 6%, while precious metals and base metals gained, led by Silver (+6.6%) and LME Copper (+4.5%).
- Dollar weakness and overall positive sentiment buoyed commodities this week.

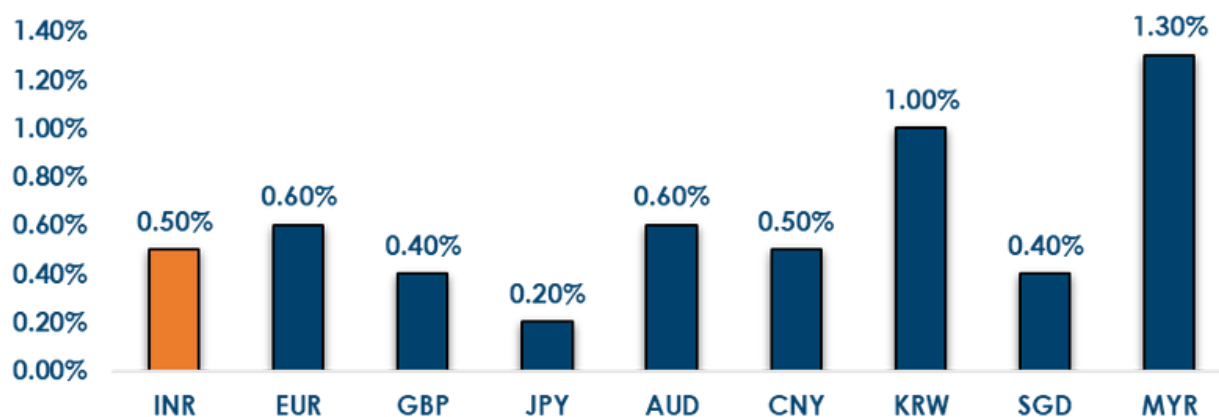
Weekly Change in Commodities



Foreign Exchange:

- Most G10 currencies strengthened against the US Dollar this week, led by the New Zealand Dollar (+1.2%) and Norwegian Krone (+0.9%), while the Canadian Dollar was the sole laggard, declining 0.6% amid continued commodity and growth concerns.
- The Euro gained 0.6% against the US Dollar this week, as broad-based Dollar weakness supported most G10 currencies, with only the Canadian Dollar ending in negative territory.
- Among G10 currencies, the British Pound gained 0.4% against the US Dollar this week, as broad-based Dollar weakness supported most major currencies, with only the Canadian Dollar ending lower.
- Asian currencies broadly strengthened against the US Dollar this week, led by the Philippine Peso (+1.4%) and Malaysian Ringgit (+1.3%), while the Indonesian Rupiah was the only regional currency to post a marginal decline.
- Rupee traded a 94.06-95.44 range this week and ended at 94.48 compared to previous week close of 94.92.
- The forward curve remained upward sloping this week, with implied yields rising gradually from 2.71% in the 1-month tenor to 3.75% at the 5-year tenor, indicating expectations of relatively stable long-term premium levels.
- 3m ATM implied volatility is at 4.72%.
- FX Reserves dropped USD 7.8bn in week ending 1st May to USD 690.7bn.

Weekly % change in Currencies



Fixed Income:

- 10-year bond yields across major global economies softened this week, led by France (-13bps) and the US/Germany (-8bps each), reflecting easing rate expectations and improved risk sentiment globally.
- Yield on the domestic benchmark 10y traded a 6.90-7.05% range and ended at 6.98% compared to previous week close of 7.02%.
- MIBOR fixings were 5.22-5.23% this week. 1y OIS cooled off 10bps this week to 5.90%. 5y OIS cooled off 4bps to 6.57% this week. Banking system liquidity is in surplus of more than Rs 2 lakh crs.
- 1y TBill is at 5.66% while 1y CD is at 7.35%.
- 10y AAA PSU is at 7.65% and 10y AAA NBFC is around 7.75-7.85%.
- FPIs have invested net 500mn in domestic debt in May so far

Our Views: What we like?

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Dollar index continues to remain extremely range bound. EM currencies are likely to be influenced by crude, Rupee even more so. RBI is expected to do a holding intervention when Rupee is under pressure and does a buying intervention when risk sentiment improves. Dollar bond issuances by PSBs may be aid the Rupee. We expect the Rupee to range bound in 93.50-95.50 for next 3 months or as long as Brent stays in USD 90-120 range

Fixed Income

We expect the yield on the US 10y to be supported around 6.85% as long as crude holds above the USD 100 per barrel mark. It will be interesting to see if the government passes on the impact to consumers. If it does not, yields may continue to remain under pressure. Any level above 7% on 10-year is attractive to add duration from a long-term perspective

Commodities

We remain bullish commodities overall. Dollar weakness is likely to fuel commodity rally further. Our order of preference remains precious metals followed by base metals followed by energy. We remain cautious on energy complex as it is vulnerable to headline whipsaws.

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