

NOVEMBER 08TH, 2025

FX Partner You Can Trust

WEEKLY NEWSLETTER

US GOVERNMENT SHUTDOWN, DETERIORATING LABOR MARKETS DAMPEN SENTIMENT



US Developments:

- **Longest Government Shutdown:** The U.S. government shutdown has now become the longest in history, stretching to 39 days.
- **Data Release Impact:** The October jobs report was not released due to the shutdown, shifting market focus to private labor indicators.
- **Labor Market Weakness:** The Challenger report showed a sharp rise in job cuts in October, dampening sentiment and raising December rate cut odds to 66%.
- **Consumer Sentiment Drops:** The University of Michigan Consumer Sentiment Index fell to 50.3, nearing its record low of 50 (June 2022).
- **Trade Policy Developments:** The U.S. Supreme Court expressed skepticism over Trump's reciprocal tariffs, with key justices suggesting they may be legally untenable — a situation that warrants close monitoring.

Commodities

- Commodities traded mixed this week, with energy prices firming on gas gains while metals and crude saw mild declines, and gold stayed flat.
- Copper has retreated after printing highs above USD 11000 last week on Dollar strength post a hawkish Fed
- Dollar strength has weighed on precious metals as well.

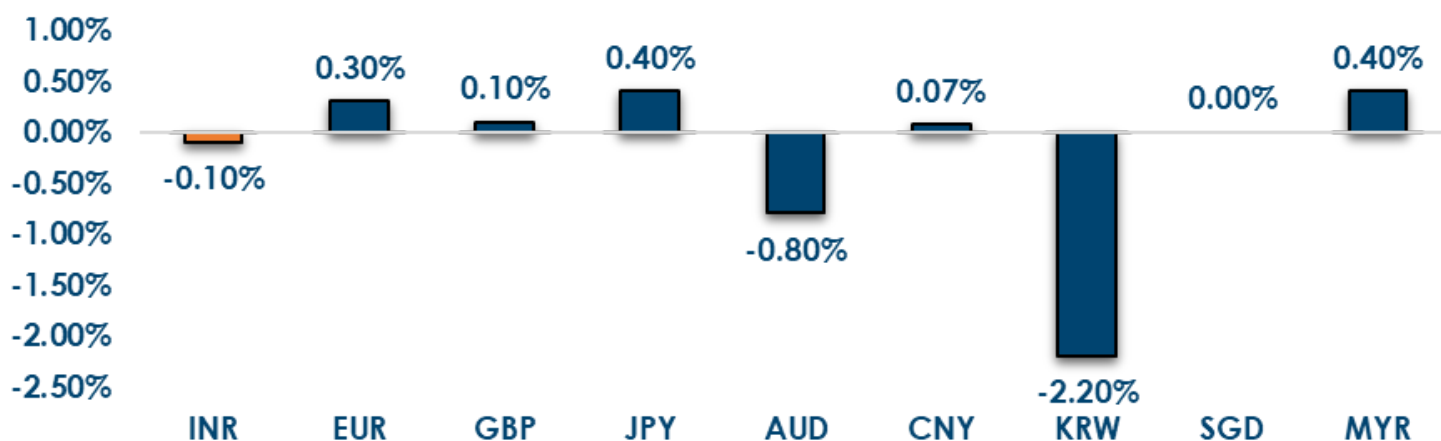
Weekly Change in Commodities



Foreign Exchange

- Among G10 currencies, the Japanese Yen, Danish Krone, and Euro posted modest gains against the dollar, while the commodity-linked currencies — notably the Australian and New Zealand Dollars — led the declines, reflecting broader risk aversion and dollar strength through the week.
- The mixed G10 performance lent mild support to EUR and GBP, as investors favoured relatively stable currencies amid broader risk aversion.
- However, firm U.S. yields and cautious sentiment capped their gains, keeping both pairs largely range-bound against the dollar.
- BoE kept rates unchanged this week along expected lines.
- Asian currencies were mostly steady, with MYR and INR posting slight gains, while TWD and KRW led losses amid a firmer U.S. Dollar.
- Rupee traded a 88.38-88.80 range this week and ended at 88.67 compared to previous week close of 88.77. RBI continues to defend the 88.80 mark.
- The implied forward yield curve shows a steady upward slope, with short-term rates near 2% gradually rising to around 3% on the 5-year tenor, indicating market expectations of moderate tightening or a gradual normalization in rates over the medium term.
- 3m ATM implied volatility remains well contained at 3.50%
- FX Reserves dropped 5.6bn in the week ending 31st Oct to USD 689.7bn, mainly on Gold revaluation
- USD 6.9bn in the week ending 24th Oct to USD 695.3bn.

Weekly % change in Currencies



Fixed Income

US 2y yield dropped 4bps to 3.56% and 10y fell 1bp to 4.10% this week

10y Yields across the UK, the Eurozone, Japan, and China were little changed this week

Yield on the domestic 10y traded a narrow 6.50-6.55% range this week. Cut off on the new 10-year benchmark came in at 6.4817% yesterday

1y OIS rose 1bp to 5.48% and 5y OIS rose 4bp to 5.71% this week. Overnight call rate fixings cooled off this week to under repo rate as banking system liquidity returned to surplus of about Rs 2 lakh crs from neutral

1y T-bill rate is at 5.56% and 1y CD rate is in the 6.45-6.50% range

10y AAA PSU spreads over Gsec are at 55bps, and 10y NBFC around 73bps

FPIs have invested net USD 100mn in domestic Bonds in November so far.

Option Structures for Exporter Importer

Importer Option Strategy (Seagull)

Spot ref 88.66
Tenor 3m
Buy call Atmf (89.11)
Sell put 88.45
Sell call 90.30
Net Zero cost



Exporter Option Strategy (Enhanced collar)

Spot ref 88.66
Tenor 6m
Fwd level 89.62
Buy put 89.45
Sell call 89.62 with eki at 90.60
Net zero cost



Our Views: What we like?

FX

We have a slightly dovish bias on the Dollar against majors and are neutral on the Dollar against EM currencies. **RBI continues to defend the 88.80 mark** with a lot of intent. A break of 88.80 could result in the next leg of the range shifting higher. We expect **a staircase-like move higher in USDINR**. For now, we remain anchored in the 88.40-88.80 range.

Fixed Income

We expect the yield on the 10y benchmark to trade in a **6.45-6.60%** range. **Any uptick towards 6.60% is a good level** to add duration to the portfolio.

Commodities

We expect **Gold and Silver to get bought on dips**. There is still **a lot of FOMO**, and many have not participated in the rally and are waiting on the sidelines to enter. Base Metals may continue to remain supported and may inch higher with trade tensions ebbing a bit. **Brent is likely to remain range-bound** as slowdown concerns and tightening supply offset each other's impact

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