NOVEMBER 15TH , 2025

FX Partner You Can Trust

W E E K L Y   N E W S L E T T E R

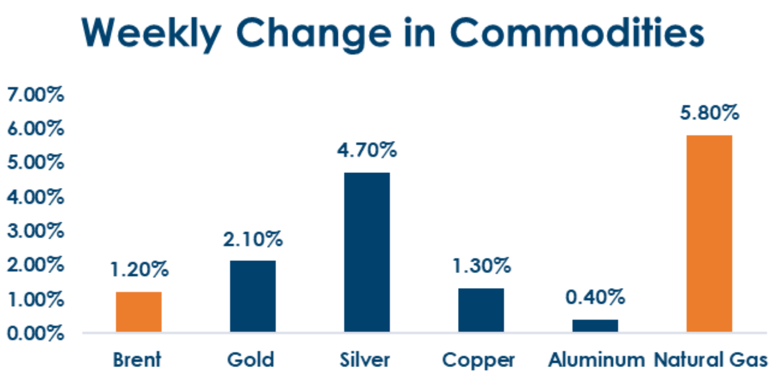
LOOMING UNCERTAINTY AROUND THE DECEMBER FED CUT DAMPENS RISK SENTIMENT

US Developments:

- Trump signed the bill this week to end the longest government shutdown in history.
- Due to the unavailability of key economic data, the Fed may consider pausing in December to gain more clarity on labour market conditions and inflation trends.
- The probability of a Fed rate cut has dropped to 43% from 66%, weighing on risk sentiment.
- This shift led to higher US Treasury yields and a pullback in equities.
- The US overnight rate (SOFR) has risen above the upper bound of the Fed Funds rate range.
- This has sparked speculation that the Fed may eventually need to buy US Treasuries to inject reserves into the system.

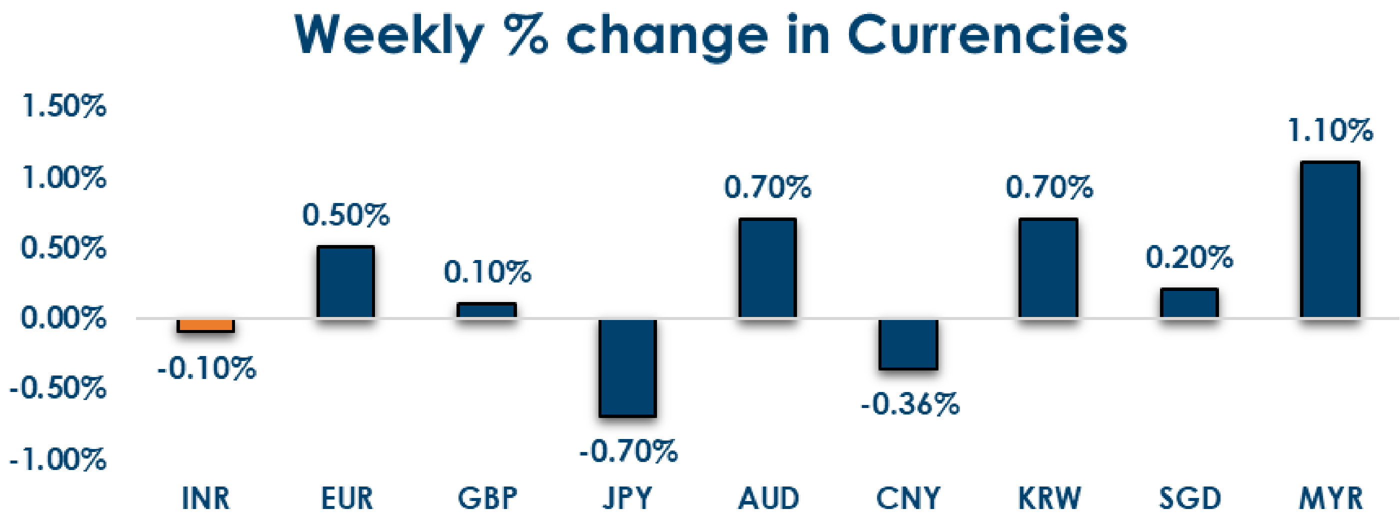
Commodities

- Brent crude gained 1.2% this week to USD 64.4, US natural gas rose 5.8% to USD 4.6, LME aluminum inched up 0.4% to USD 2858, and LME copper climbed 1.3% to USD 10852.
- Gold ended the week 2.1% higher at USD 4084, after rising to USD 4245 intra-week before giving up gains.
- Silver gained 4.7% to USD 50.6, having briefly touched USD 53.6 but failing to sustain those levels.
- Base metals overall continued to move gradually higher.



Foreign Exchange

- Overall, the dollar's broad decline supported G10 currencies, but the EUR gained moderately while the GBP showed only a marginal uptick, signalling softer momentum.
- EUR rose 0.5% and GBP 0.1%, both benefiting from dollar weakness, though EUR showed relatively stronger traction while GBP lagged.
- Asian currencies were mixed last week, with MYR, KRW, and CNH leading gains (up 1.1%, 0.7% and 0.4%), while INR, IDR, and THB saw slight declines (-0.1% to -0.2%), and TWD was the weakest at -0.4%.
- Rupee traded a narrow 88.52-88.76 range this week and ended at 88.74 compared to the previous week's close of 88.66
- Implied forward yields show a steady upward curve, rising from ~1.8% in the near-term (1–12 months) to over 3% on the 5-year tenor, indicating a gradually increasing market rate expectation across maturities.
- Volatility continues to be suppressed with 3m ATMF implied volatility at 3.55%
- FX Reserves dropped USD 2.7bn in the week ending 7th Nov to USD 687bn



Fixed Income

US 2y yield rose 2bp to 3.61% and 10y rose 3bps to 4.15% as doubts emerged on Fed December rate cut

UK 10y yield rose 11bp as FM and PM have reportedly decided not to go ahead with income tax rate increases. 10y Yields across Eurozone were up 2-6bps

Domestic 10y yield traded a 6.44-6.50% range and ended at 6.49%. Domestic CPI print for October came in at an all time low at 0.25% yoy. However that was on account of base effect and was in line with expectations. Therefore the impact on yields was shortlived.

1y OIS was almost unchanged at 5.47% while 5y OIS rose 3bps to 5.74%. Except yesterday, when the call fixing happened at 5.58%, fixing on rest of the days was at 5.39%. Banking system liquidity continues to remain in a surplus of more than Rs 2 lakh crs

10y AAA PSU spread over Gsec is around 48bps and that of 10y NBFC papers is around 77bps

FPIs have bought net USD 700mn of domestic bonds in November so far

Option Structures for Exporter Importer

Importer Option Strategy (Seagull)

Spot ref 88.75
Tenor 3m
Buy call Atmf (89.18)
Sell put 88.45
Sell call 90.20
Net Zero cost

Exporter Option Strategy (Enhanced collar)

Spot ref 88.75
Tenor 6m
Fwd level 89.66
Buy put 89.45
Sell call 89.65 with eki at 90.75
Net zero cost

Our Views: What we like?

FX

Vols continues to remain very subdued. Rangish behavior is likely to continue heading into year-end. **A bit of risk off could cause carry currencies to remain supported. 88.80 continues to remain the line in the sand** as of now. RBI seems to be unwilling to let that level break. As of now, **USDINR remains a sell on upticks**. However, if 88.80 breaks, we could see the next leg of the upmove, which could result in the USDINR range shifting higher.

Fixed Income

We believe current levels are attractive to add duration in US treasuries, especially given the chatter around the inadequacy of Reserves and the need for the Fed to start buying treasuries again. **Domestic 10y yield is expected to trade sideways in the 6.40-6.60% band.** Any uptick to 6.60% would be a good level to add duration to the portfolio. W**e believe there is value in buying SDLs (SGS) given the current spreads over Gsecs**. We had recommended paying **5y OIS around 5.65%** and that view seems to be coming off

Commodities

We continue to remain constructive on base Metals and may see sideways price action in Brent for some time. **Precious metals, in our view, are a buy on dips.**

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