NOVEMBER 7TH , 2026

WEEKLY NEWSLETTER

INR ASSETS SHINE AS AI TRADES UNWIND AND CRUDE DROPS



GLOBAL DEVELOPMENTS:

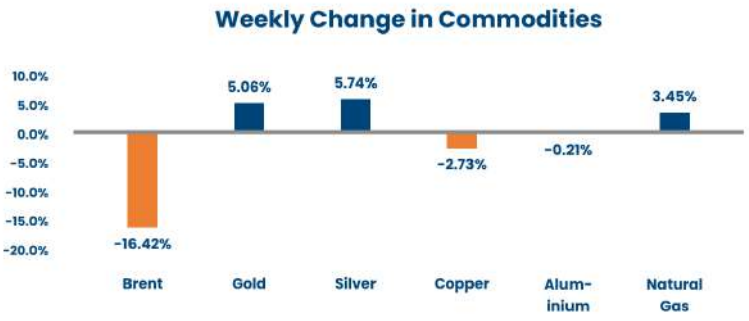
Democrats captured both chambers in the US midterms, flipping the House and taking the Senate. AI infrastructure names sold off on fears of slower data center build-outs and tighter regulation, with Kospi, Taiwan and Nikkei still ending the week down 11-12%.

Trump said he wanted to give Iran diplomacy more time before further strikes, adding the war ends soon "one way or the other". Brent fell 16.4% on the week to USD 98.32, its biggest drop since July.

Odds of a December Fed hike eased from 71% to 67% as equities sold off, then jumped to ~75% after strong October payrolls (+165k vs +65k expected, unemployment 4.1%), firming the Dollar and US yields. INR assets outperformed on lower crude and rotation out of crowded AI trades.

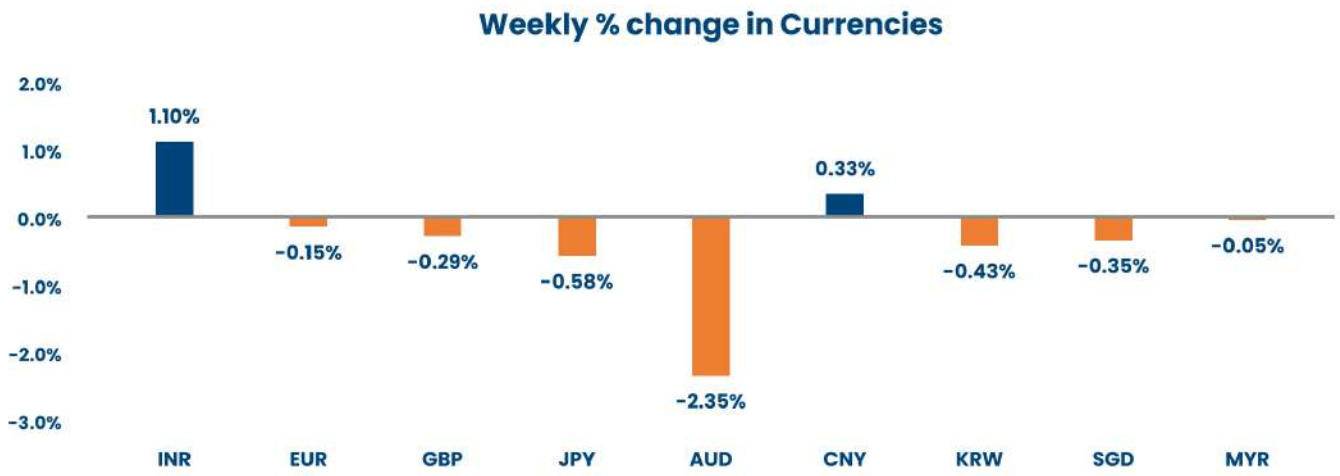
Commodities:

Commodity markets witnessed sharp swings, with Brent crude falling 16.42% to USD 98.32 per barrel and WTI declining 12.76% to USD 90.83. European natural gas fell 17.66% to EUR 85.59, while US natural gas rose 3.45% to 3.00. Among industrial metals, LME aluminium slipped 0.21% to USD 3,062.50 and copper declined 2.73% to USD 13,768.00. Precious metals rallied, with gold gaining 5.06% to USD 4,070.80 and silver rising 5.74% to USD 51.92.



Foreign Exchange:

- The US dollar strengthened against most G10 currencies this week, led by NOK (-2.71%) and AUD (-2.35%), followed by NZD (-1.55%), CAD (-1.09%), SEK (-0.73%), JPY (-0.58%), GBP (-0.29%), EUR (-0.15%) and DKK (-0.14%). CHF (+0.55%) was the only G10 currency to gain.
- The British pound weakened 0.29% against the US dollar this week.
- The euro declined 0.15% against the US dollar this week.
- Among Asian currencies, INR (+1.10%) and CNY (+0.33%) gained against the US dollar, while KRW (-0.43%), SGD (-0.35%) and MYR (-0.05%) lost ground.
- Rupee traded a 93.82-95.03 range this week and ended at 93.91 compared to previous close of 94.95
- 3m ATMF onshore implied volatility is at 4.90% and offshore is at 5.00%
- The forward premium curve in implied annualized yield terms stands at 3.95% for 1 month, 4.59% for 3 months, 4.47% at 6 months and 3.91% at 12 months, before declining to 3.51% at 2 years, 3.48% at 3 years and 3.40% at 5 years.
- FX Reserves fell USD 2.7bn to USD 717.1bn in week ended October 30.



Fixed Income:

- Global 10-year yields were mixed this week, with Japan (-13.9 bps) and Australia (-9.9 bps) leading declines, followed by France (-2.4 bps), South Korea (-2.2 bps) and Switzerland (-2.0 bps), while the US (+2.3 bps), UK (+2.3 bps) and Germany (+1.3 bps) edged higher.
- Yield on the domestic 10y benchmark traded a 7.07-7.36% range this week and ended at 7.19% compared to previous week close of 7.41%
- Banking system liquidity surplus widened sharply to Rs 1.6-2.3 lakh crore this week (from ~Rs 0.3-0.5 lakh crore last week). Overnight MIBOR fixings happened in 5.49-5.72% range this week.
- 1y OIS fell 39 bps this week to 6.33% while 5y OIS fell 38 bps to 6.48%
- 1y Tbill is at 6.52% while 1y A1+ CD is at 7.90% and 1y A1+ NBFC CP is at 8.30-8.35%
- 10y Nabard is at 7.94-7.99% and 10y LIC Hsg Fin is yielding 8.17-8.22%
- FPIs bought net USD 400mn of domestic bonds in November so far

Our Views: What we like?

FX

We expect Dollar strength against majors. Though Democrat victory is widely seen as Dollar negative, we believe it instils confidence in Dollar and is negative for De-Dollarization bets.

Rupee is now likely to remain sideways and firmly under RBI's control at least until end of 2026. Break of 94.20-94.40 is significant since it had been holding extremely well.

We expect a 93.10-94.50 range for Rupee over the next few weeks.

Fixed Income

7.50% level on 10y held very well. We had recommended going long duration at those levels. We had also suggested receiving 5y OIS around 6.85% which worked well.

We expect a 6.90-7.30% range for the 10y over next few weeks.

Commodities

We have been advising long precious metals, a call which has faced headwinds. However we stick to that view and strongly believe it should be a part of portfolio allocation.

Crude has again fizzled out around USD 120 and that remains a major hurdle.

We are bullish on base metals as well.

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