

OCTOBER 17TH , 2026

WEEKLY NEWSLETTER

RBI'S KITCHEN SINK BOOSTS RUPEE, POSSIBILITY OF STT RECONSIDERATION, ANTI AI SENTIMENT PROPS DOMESTIC EQUITIES



GLOBAL DEVELOPMENTS:

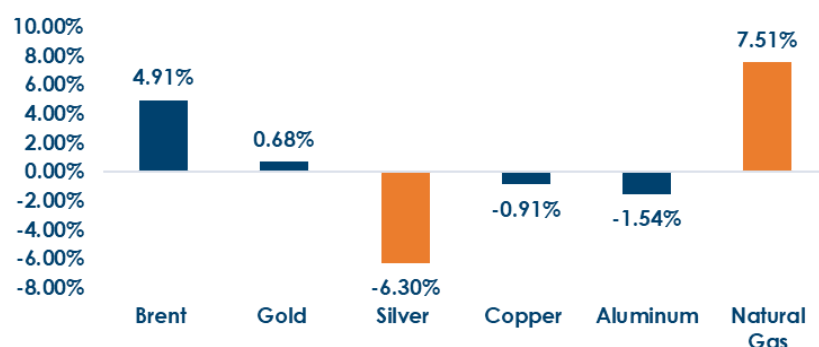
Rupee was the best performing Asian currency this week on RBI measures announced last week. Interbank and client activity was quite muted though given restrictions.

Despite the hotter than expected CPI print, US treasury yields came off. There are two factors at play here; dovish comments from Fed members (which keeps the probability of Fed hiking in Oct policy at mere 17%) and risk aversion driving safe haven demand for treasuries.

Commodities:

Commodity markets witnessed mixed movements, with crude oil prices surging as WTI rose 10.41% to \$101.41 per barrel and Brent gained 4.91% to \$109.86. European natural gas climbed 7.51% to EUR 87.55, while US natural gas declined 3.23% to \$3.12. Industrial metals remained under pressure, with LME aluminium falling 1.54% to \$3,001.50 and copper easing 0.91% to \$14,407.50. Precious metals also weakened, as gold slipped 0.68% to \$4,165.58, while silver registered a sharper decline of 6.30% to \$56.99.

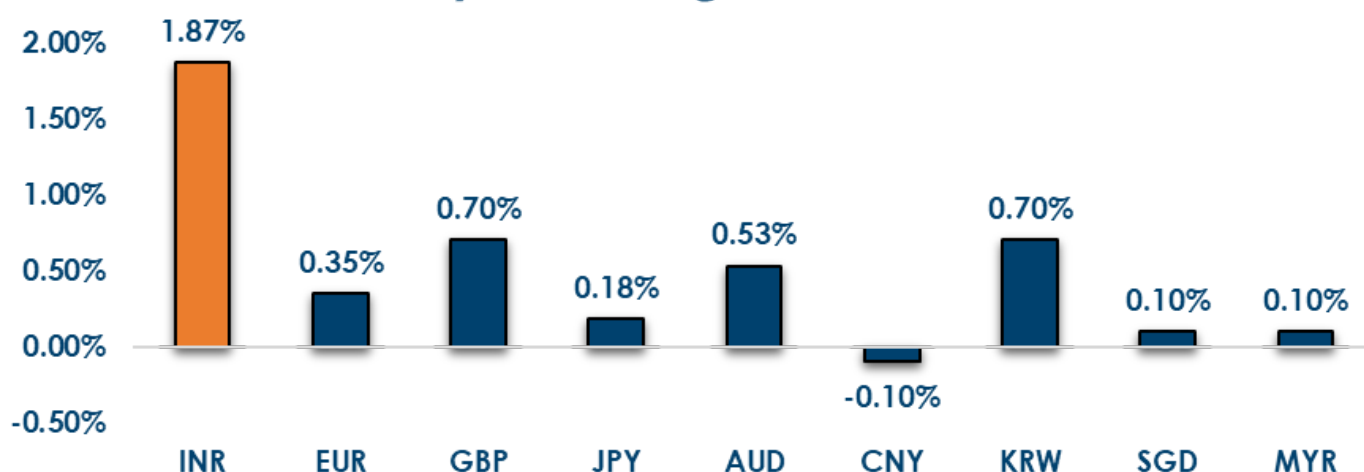
Weekly Change in Commodities



Foreign Exchange:

- The US dollar weakened against most G10 currencies this week, with the Norwegian krone leading gains at 1.42%, followed by the Swedish krona (+0.95%) and Canadian dollar (+0.82%), while the Australian dollar was the only currency to decline, falling 0.53%.
- The euro strengthened 0.35% against the US dollar this week, supported by broad-based dollar weakness across G10 currencies.
- The British pound gained 0.70% against the US dollar this week, benefiting from the broader sell-off in the greenback.
- Asian currencies largely strengthened against the US dollar this week, led by the Indian rupee's 1.87% gain, followed by the South Korean won (+0.70%) and Japanese yen (+0.18%), while the Taiwanese dollar fell 1.48% and the Indonesian rupiah declined 0.72%, making them the weakest performers in the region.
- Rupee traded a 94.67-95.98 range this week compared to previous close of 96.73
- 3m ATMF onshore implied volatility is at 4.88% and offshore is at 5.03%
- FX Reserves fell USD 8.6bn to USD 726bn this week

Weekly % change in Currencies



Fixed Income:

- 10-year bond yields declined across major economies this week, led by the US (-16.5 bps) and South Korea (-13.7 bps), reflecting a broad-based rally in global bond markets.
- Yield on the domestic 10y benchmark traded a 7.33-7.42% range this week and ended at 7.38% compared to previous week close of 7.30%
- Banking system liquidity is in surplus of Rs 2.3 lakh crs. The surplus has moderated significantly to a comfortable level now. Overnight MIBOR fixings happened in 5.33-5.87% range this week, towards the upper end of LAF corridor
- 1y OIS rose from 6.24% last week to 6.55% while 5y OIS rose from 6.72% to 6.79%
- 1y Tbill is at 6.53% while 1y A1+ CD is at 7.65% and 1y A1+ NBFC CP is at 8.17%
- 10y Nabard is at 8.12% and 10y LIC Hsg Fin is at 8.32%.
- FPIs have bought net USD 600mn of domestic bonds in October so far

Our Views: What we like?

FX

There are dislocations in forward market as a result of RBI measures, which present arbitrage opportunities. Onshore points are trading significantly above offshore. Onshore implied annualized forward yields are so dislocated that effective USD borrowing cost is negative up to 3 months tenor.

RBI has clearly drawn a line at 97 and we expect the Rupee to trade a 94-97 range over the next few weeks

Fixed Income

1y OIS sold off resulting in OIS curve bear flattening this week. 5y OIS around 6.80% seems attractive to receive

We expect the 10y to trade a 7.15-7.50% range over the next few weeks

Commodities

Brent prices steady above USD 100 per barrel is not a good sign and cause of concern for other asset classes as well.

European Natural Gas seems on course to reach EUR 100 per mega watt hour and that does not bode well for Europe

We remain neutral to mildly positive on base metals and bullish on precious metals. Current dip in silver is a good buying opportunity in our view.

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