

OCTOBER 24TH , 2026

WEEKLY NEWSLETTER

DRONE STRIKES, AI SELL OFF KEEP RISK SENTIMENT ON BACKFOOT



GLOBAL DEVELOPMENTS:

Mixed Earnings and lower Capex guidance resulted in a sell off in AI stocks this week.

Drone strikes on Saudi Arabia and fears of a US/Israel strike on Iran after the midterms caused energy prices to spike.

Risk off resulted in a rally in US Treasuries this week on safe haven demand.

Fed is widely expected to hold in its policy next week. A 25bps rate hike is likely in December though.

Commodities:

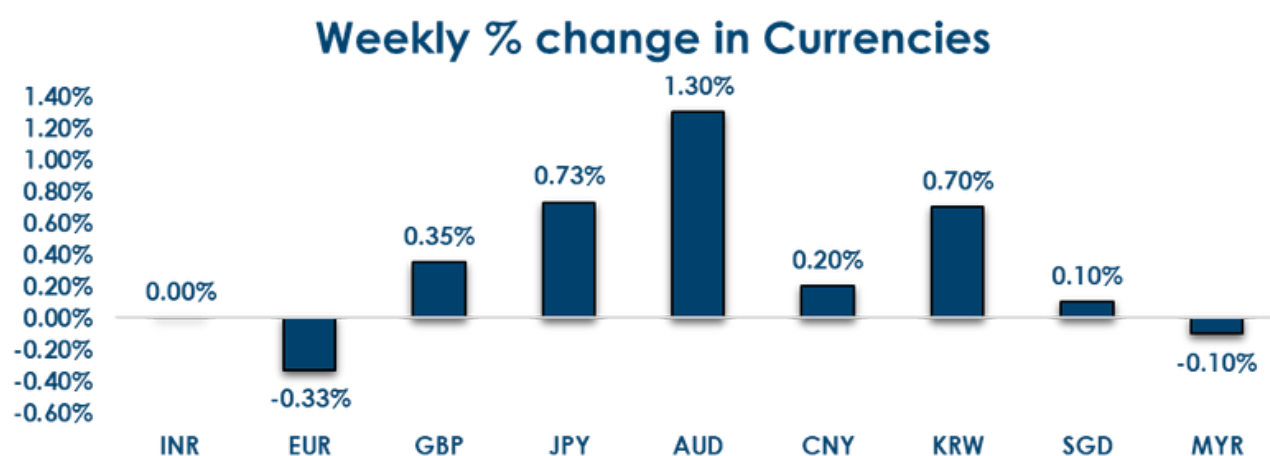
Commodity markets witnessed a mixed trend, with Brent crude rising 6.24% to USD 116.72 per barrel and WTI gaining 1.83% to USD 103.27. European natural gas increased 7.20% to 93.85, while US natural gas declined sharply by 15.28% to 2.64. Among industrial metals, LME aluminium gained 1.40% to USD 3,043.50, while copper slipped 0.59% to USD 14,322.50. Precious metals weakened, with gold falling 4.07% to USD 3,996.10 and silver declining 5.44% to USD 53.89.

Weekly Change in Commodities



Foreign Exchange:

- The US dollar weakened against most G10 currencies, with AUD (+1.30%), NOK (+1.15%) and CAD (+0.99%) leading gains, while EUR (-0.33%), DKK (-0.31%) and CHF (-0.12%) lost ground against the dollar.
- The British pound strengthened 0.35% against the US dollar this week, reflecting a modest recovery against the greenback.
- The euro declined 0.33% against the US dollar this week, underperforming despite broad-based dollar weakness.
- Asian currencies delivered a mixed performance against the US dollar this week, with JPY and KRW leading gains at 0.7% each, followed by CNH (+0.3%) and CNY (+0.2%), while INR remained largely unchanged. PHP (-1.0%), THB (-0.7%) and TWD (-0.5%) were the weakest performers.
- Rupee traded a 94.32-94.97 range this week and ended at 94.94 compared to previous close of 94.96
- 3m ATMF onshore implied volatility is at 4.85% and offshore is at 4.91%.
- The forward premium curve remains elevated at the shorter tenors, peaking at 5.10% for 3 months before easing to 4.80% at 6 months and 4.17% at 12 months. The curve gradually declines further to 3.70% at 2 years and 3.51% at 5 years, indicating a downward-sloping forward premium structure over the longer tenors.
- FX Reserves fell USD 5.0bn to USD 721.0bn in week ended October 16.



Fixed Income:

- Global 10-year bond yields largely declined this week, led by the US (-14.5 bps), Japan (-11.1 bps) and Germany (-10.9 bps), reflecting a broad-based bond rally, while France was the outlier with yields rising 8.1 bps.
- Yield on the domestic 10y benchmark traded a 7.34-7.48% range this week and ended at 7.47% compared to previous week close of 7.38%
- Banking system liquidity is neutral now. Overnight MIBOR fixings happened in 5.67-5.80% range this week, towards the upper end of LAF corridor.
- 1y OIS rose from 6.55% last week to 6.58% while 5y OIS rose from 6.79% to 6.82%
- 1y Tbill is at 6.47% while 1y A1+ CD is at 7.97% and 1y A1+ NBFC CP is at 8.35-8.45%
- 10y Nabard is at 8.20-8.25% and 10y LIC Hsg Fin is at 8.40-8.45%.
- FPIs have bought net USD 100mn of domestic bonds in October so far

Our Views: What we like?

FX

Ranges continue to hold as far as broad Dollar is concerned

USDINR again got supported around 94.20-94.40. It seems the pair has bottomed. However with RBI having imposed draconian curbs onshore, market participants aren't able to freely express their view.

RBI will have greater control in terms of managing the Rupee.

We remain bearish Rupee overall given the macro dynamics and expect a 94.20-97.00 range over the next several weeks.

Fixed Income

Higher oil prices, tight banking system liquidity are weighing on domestic bonds.

7.50% is a critical level for the 10y yield.

We expect a 7.15-7.50% range for the 10y over next several weeks

Around 6.80% seems a good level to receive 5y OIS

Commodities

We continue to remain bullish on precious metals and see the current dip as a good buying opportunity

We are neutral to mildly bullish on base metals and expect energy prices to remain headline driven.

However, technically Brent consolidating above USD 100 per barrel is not a good sign. Break of USD 120 could trigger stops and result in a panic move.

Contact Us:

India Forex Asset & Management Pvt. Ltd.

+91 86557 85089 | info@ifaglobal.net

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