

OCTOBER 31ST , 2026

WEEKLY NEWSLETTER

FX Partner You Can Trust

DOMESTIC EQUITIES OUTPERFORM AMID ANTI AI SENTIMENT ON EARNINGS/CAPEX MISSES



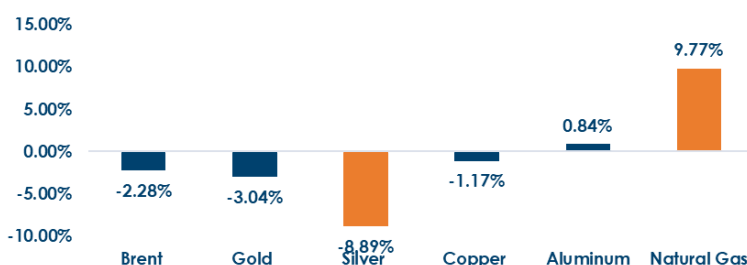
GLOBAL DEVELOPMENTS:

Fed held rates at 3.75-4.00% in a 10-2 vote, Fed Chair Warsh called financial conditions tighter but stopped short of "tight,". Markets now price 85% odds of a December hike. ECB held its deposit rate steady, with Lagarde staying non-committal on the direction of the next move and reaffirming a meeting-by-meeting, data-dependent approach. BoJ held its policy rate at 1.25% this week following September's hike, with reported pushback from PM Takaichi against further tightening weighing on the yen. US Midterms and Iran. Democrats hold an ~8.6-point generic ballot lead (50.8-42.2) heading into Nov 3, with late-week polls ranging D+4 to D+12. Reports point to the White House weighing renewed major strikes on Iran once midterms conclude, with US-Israel contingency planning and Yemen-linked fighting keeping tensions elevated through the week. Nasdaq posted its worst month in over a year on AI-capex-payoff anxiety. US Treasuries firmed on the week, with yields down as the dovish-leaning Fed hold and a late-week equity risk-off (AI capex jitters) both supported duration

Commodities:

US and European natural gas prices surged 9.77% and 10.75%, respectively, while WTI crude rose 0.82% and Brent fell 2.82%. Gold and silver declined sharply by 3.04% and 8.89%, respectively, while copper slipped 1.17% and aluminium gained 0.84%.

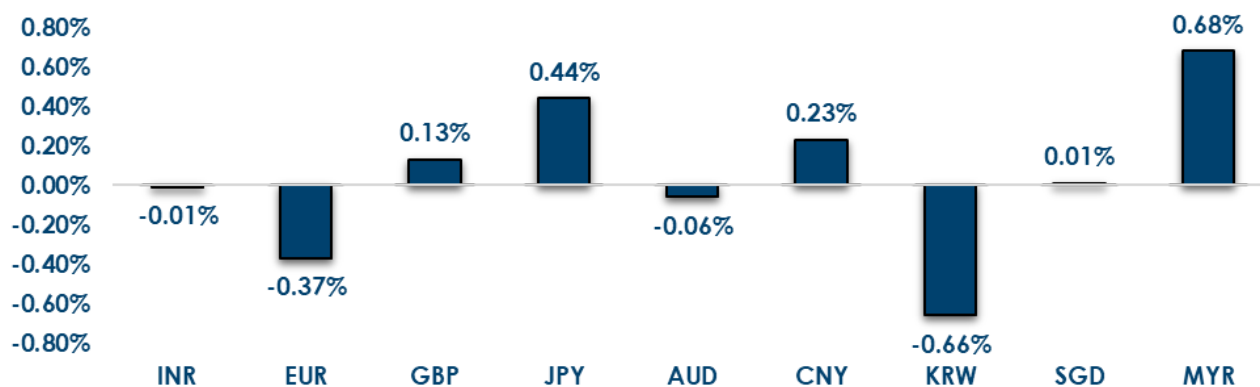
Weekly Change in Commodities



Foreign Exchange:

- The US dollar weakened against most G10 currencies, with the Norwegian krone (+1.34%) and Swedish krona (+1.04%) leading gains, while the New Zealand dollar (-1.19%) and Japanese yen (-0.44%) underperformed.
- The euro declined 0.37% against the US dollar this week, indicating relative dollar strength against the single currency despite the broader weakness in the greenback against most G10 currencies.
- The British pound gained 0.13% against the US dollar this week, holding marginally higher as the dollar weakened against most major G10 currencies.
- Asian currencies traded mixed against the US dollar this week, with the Malaysian ringgit (+0.68%) leading gains, followed by the Chinese yuan (+0.23%). The Indian rupee remained largely stable, slipping 0.01%, while the South Korean won (-0.66%) and Japanese yen (-0.44%) were among the weakest performers.
- Rupee traded a 94.90-95.38 range this week and ended at 94.95 compared to previous close of 94.95
- 3m ATMFX onshore implied volatility is at 4.85% and offshore is at 4.92%
- Implied annualised yields peaked at 5.58% for 3 months before gradually declining to 3.65% for 5 years, indicating a downward-sloping longer-term forward curve.
- FX Reserves fell USD 1.3bn in week ended October 23 to USD 719.7bn.

Weekly % change in Currencies



Fixed Income:

- 10-year yields declined across most major economies, led by South Korea (-6.5 bps), the UK (-6.0 bps) and the US (-5.9 bps). France was the outlier, with yields rising 6.9 bps.
- Yield on the domestic 10y benchmark traded a 7.37-7.50% range this week and ended at 7.41% compared to previous week close of 7.47%.
- Banking system liquidity is in surplus of mere Rs 0.3-0.5 lakh crs. Overnight MIBOR fixings happened in 5.64-5.87% range this week.
- 1y OIS rose 14bps this week to 6.72% while 5y OIS rose 4bps to 6.86%
- 1y Tbill is at 6.66% while 1y A1+ CD is at 7.97% and 1y A1+ NBFC CP is at 8.40-8.45%
- 10y Nabard is at 8.19-8.24% and 10y LIC Hsg Fin is yielding 8.40-8.45%
- FPIs bought net USD 1.1bn of domestic bonds in October.

Our Views: What we like?

FX

Energy is likely to be the dominant theme with currencies of energy surplus countries outperforming and those of energy dependent countries remaining under pressure.

Rupee fair price discovery is impacted due to RBI's draconian measures. While RBI is likely to wield greater influence on Rupee, we don't expect the Rupee to strengthen a lot from current levels till Brent remains above USD 100 per barrel

We see a 94.20-96.80 range for Rupee over next several weeks

Fixed Income

We see 7.50% on benchmark 10y and 6.85% on 5y OIS as attractive to invest/receive

Credit also looks attractive with 10y AAA PSUs yielding about 8.30%

Commodities

We remain neutral on base metals, bullish on precious metals and expect energy prices to remain headline driven.

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