

SEPTEMBER 20TH, 2025

FX Partner You Can Trust

WEEKLY NEWSLETTER

NIFTY RISES FOR 3RD STRAIGHT WEEK, INDIA VOLATILITY INDEX DROPS TO ALL TIME LOWS



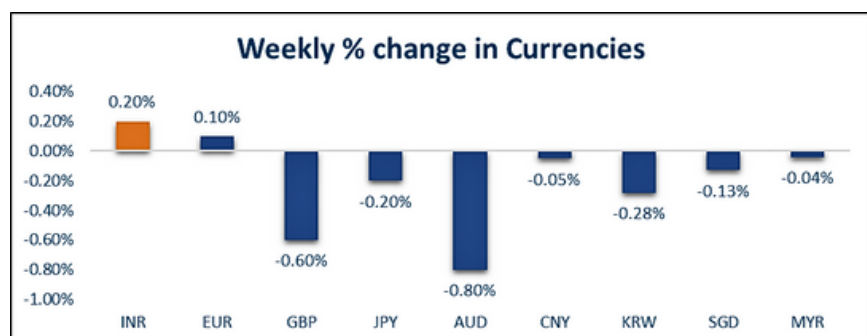
The Fed cut rates along expected lines by 25 basis points and indicated a cut at each of the remaining two Fed meetings for the year. Expectations of Fed cuts are keeping the risk sentiment afloat. US PCE data for August, due on Friday, will be the key data to look forward to next week. **BoE and BoJ kept rates unchanged.** The Bank of Canada cut rates 25 basis points to shield the economy from the impact of Trump's trade tariffs.

President Trump said that he had a productive phone call with Chinese President Xi. The two are due to meet in November. India-US trade talks are back on track, and the chief economic advisor expressed optimism, saying trade issues could be resolved in 8-10 weeks.

Foreign Exchange

UK government borrowing YTD has climbed to a 5-year high, stoking fiscal concerns and fueling speculation of possible tax hikes in the November budget. Meanwhile, Asian currencies saw mixed moves this week, with INR, CNH, and HKD inching higher, while JPY, KRW, THB, and IDR weakened, the latter down 1.3%. Indonesian Rupiah underperformed on news that the law setting budget deficit and debt limits is to be reviewed. Rupee traded in a 87.72-88.34 range during the week and ended at 88.10, compared to last week's close of 88.28. FX Reserves rose USD 4.7bn to USD 703bn in the week ending Sep 12.

The forward curve shows rates rising from 2.02% (1M) to 3.24% (5Y), with 12M at 2.36% and 2Y-3Y around 2.75-3%. The vol curve remains flat, with 3M ATMF vols at 3.46%.



Fixed Income

US 2y yield rose 3bps this week to 3.57% while US 10y yield rose 9bps to 4.13% this week.

10y Yields across the UK and the Eurozone were up 5-8bps this week. Japan 10y rose 5bps to 1.63%. Yield on the domestic 10y benchmark traded a 6.47-6.53% range this week and ended at 6.49%, unchanged from last week. 1y OIS ended 2bps lower at 5.45% while 5y OIS ended 2bps higher at 5.71%

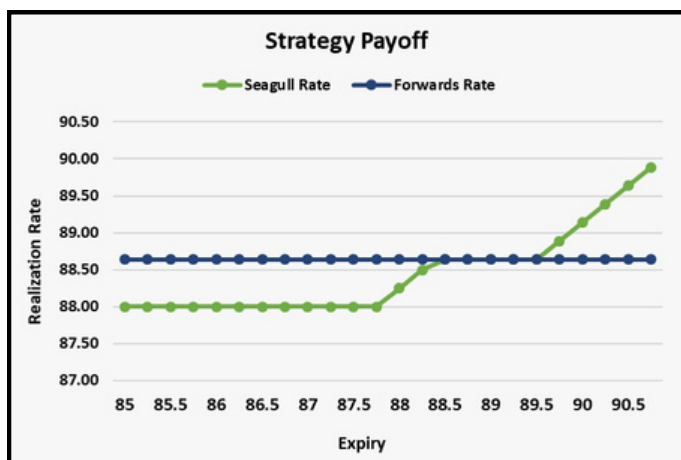
Surplus liquidity in the Banking system has come off on advance tax outflows. This pushed overnight call fixings to 5.58-5.60% over the last couple of days.

1y t-bill is around 5.56% and 1y PSU CD is around 6.30%. Spread of 10y AAA PSU and NBFC over Gsec is 56bps and 78bps, respectively. FPIs have invested net USD 1.2bn in domestic debt in September so far.

Option Structures for Exporter Importer

Importer Option Strategy (Seagull)

Spot ref 88.18
Tenor 3m
Buy call Atmf (88.64)
Sell put 88.00
Sell call 89.75
Net Zero cost



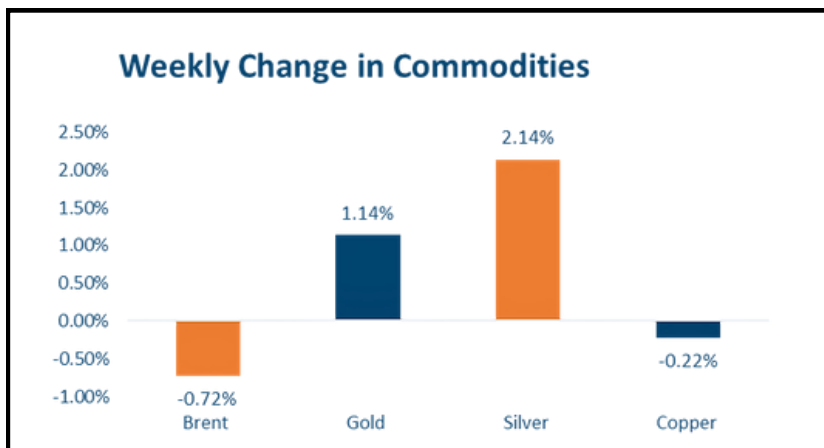
Commodities

Expectations of a supply glut is keeping crude prices under pressure.

Precious metals continue to see positive traction

Base Metals failed through on last weeks positive price action.

Below is how major global commodities moved this week.



Exporter Option Strategy (KIKO)

Spot ref 88.18
Tenor 6m
Atmf 89.13
Buy put at 89.00
Sell call at 89.00 with eki at 90.00
Net Zero cost



Our Views: What we like?

FX

Dollar index hit the lowest level since Feb'22 but recovered sharply during the week from lows. We have been bearish on the Dollar for some time now. However, with Fed accommodation already priced in, fresh triggers will likely be needed for the Dollar index to weaken from current levels. Therefore, **we may see a reversal in dollar weakness and expect it to inch higher across majors and EM currencies.**

Rupee too seems to be in a range of 87.50-88.50 for now. Real progress on the trade front would be needed for a turnaround. Until then, the bias remains to buy on dips.

Fixed Income

6.54% on the 10y becomes crucial now. Only a break above that level again could see the 10y yield move to 6.75%. Otherwise, we expect range-bound action between 6.40% and 6.55%

Any dips to 5.65% on 5y OIS are good to pay in our view.

Commodities

We continue to remain upbeat on precious metals. We believe Silver could outperform gold. It did so this week.

We did not see a follow-through in base Metals this week after a rally last week. We remain neutral on base Metals and Crude for now.

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