

SEPTEMBER 27TH, 2025

FX Partner You Can Trust

WEEKLY NEWSLETTER

DOMESTIC ASSETS UNDERPERFORM ON CONCERNS OVER TAX ON OUTSOURCING



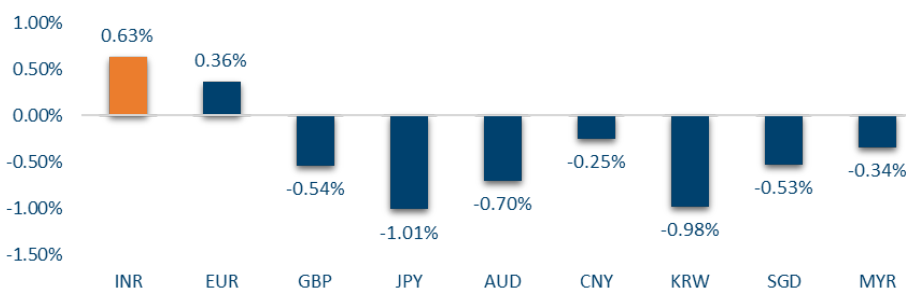
The US revised Q2 GDP print came in better than expected at 3.8% quarter-over-quarter (qoq) annualized, against the expected and previous print of 3.3%. Bets on a Fed rate cut were trimmed slightly, with the market now seeing a 90% and 73% chance of a cut in October and December, compared to 92% and 87% last week.

US PCE and core PCE for August came in along expected lines at 2.7% and 2.9% yoy, respectively. **Focus next week will be on the US September Jobs report due on Friday.** On the domestic front, **the RBI monetary policy is due on Wednesday. RBI is likely to keep rates unchanged.**

Foreign Exchange

- USD: Broad gains against G10; biggest losers: NZD -1.5%, CAD -1.1%, JPY -1%.
- SEK: Slight gain +0.1%, reflecting strong Dollar demand.
- Asian currencies: Weakness vs USD continues, highlighting Dollar strength.
- EUR/USD & GBP/USD: Likely under pressure; the Euro is more vulnerable due to ECB dovishness.
- GBP: May show slight resilience if UK yields stay elevated; overall capped by strong Dollar.
- INR: Traded 88.12–88.80, closed at 88.71 (prev. 88.10).
- NDF implied spot reached 88.90 on Thursday; likely intervention kept onshore <88.80.
- FX Reserves: Down ~USD 400mn to USD 702.6bn (week ending Sept 19)

Weekly % change in Currencies



Fixed Income

Yield on the US 2y rose 4bps to 3.64% and that on the 10y rose 3bps to 4.18% this week

Change in 10y Yields across Eurozone and UK was anywhere between -1bps and +4bps this week

Yield on the domestic benchmark 10y traded a 6.46-6.53% range and ended the week 6.52% compared to previous week close to 6.49%

Overnight call fixings were in 5.58-5.68% range this week. Banking system liquidity is almost close to neutral.

1y OIS was up 1bps this week to 5.46% while 5y OIS ended 3bps higher at 5.74%. 5y Mod MIFOR is at 6.40%

10y AAA PSU spread above gsec is 52bps and that of AAA NBFC is about 88bps

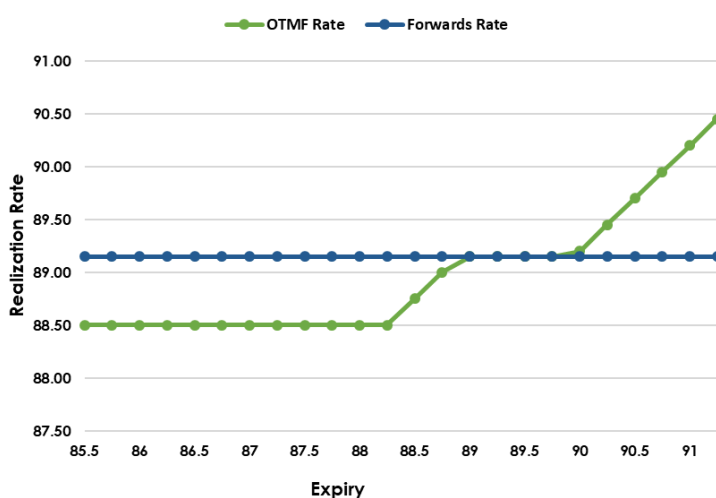
FPIs have invested net USD 1.4bn in domestic debt in September so far

Option Structures for Exporter Importer

Importer Option Strategy (Seagull)

Spot ref 88.70
Tenor 3m
Buy call Atmf (89.15)
Sell put 88.50
Sell call 90.20
Net Zero cost

Strategy Payoff



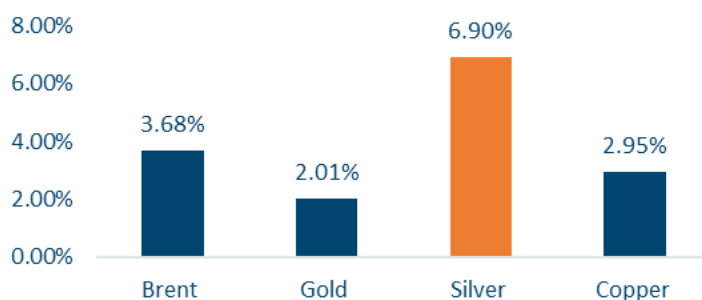
Commodities

It was the largest one-week gain since June 13 for Brent this week.

Russia is extending the export ban on petrol until the end of the year to ensure supply in the domestic market, which was caused by Ukrainian strikes pushing crude prices higher.

Risk-off tone saw Gold gain for the sixth straight week.

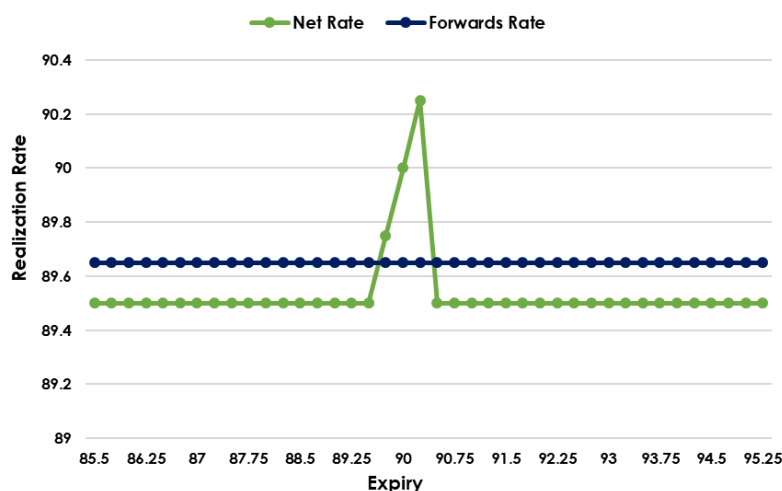
Weekly Change in Commodities



Exporter Option Strategy (KIKO)

Spot ref 88.70
Tenor 6m
Atmf 89.65
Buy put at 89.50
Sell call at 89.50 with eki at 90.40
Net Zero cost

Strategy Payoff



Our Views: What we like?

FX

We continue to remain bearish on the Dollar. Over the last several weeks, we have seen some range-bound price action in 96.20-98.80

We expect the Rupee to continue to underperform. We may see gradual, calibrated, and controlled Rupee depreciation. We expect it to be a staircase-like move higher in USDINR. **For now, we see a range of 88.20-89.40 over the next 6 weeks.**

Fixed Income

We may see a move towards 6.60% on the 10y again if the RBI comes across as being less dovish, which we feel it will.

One can consider adding duration to the portfolio around the 6.60% mark on 10y.

Any dip in 5y OIS to 5.68-5.70% is attractive to pay.

Commodities

We continue to remain bullish on precious metals. It's a view that has worked quite well. We believe it still has further legs. **We are more bullish on Gold than Silver.** We expect Silver to attempt the psychological USD 50 mark soon.

We are slightly bullish on Brent after this week's price action. We could see a move towards USD 75 per barrel.

Copper may continue its gradual grind higher, while Aluminum may see sideways price action.

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