SEPTEMBER 12TH , 2026

WEEKLY NEWSLETTER

CRUDE SPIKE SPOOKS INR ASSETS

Global Development:

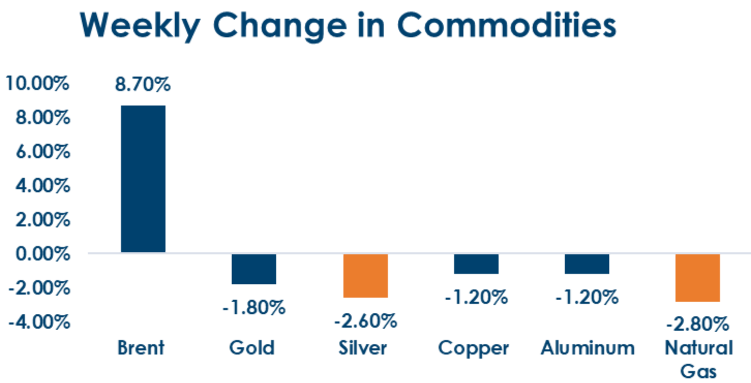
Crude prices jumped again this week on unfavorable geopoltical developments. Saudi Arabia has closed its East-West pipeline, a key alternative to SoH, given multiple attacks

US August CPI print came in line with expectations. Focus next week will be on the Fed rate decision. Market is pricing in a 88% chance of a hike on Wednesday. Market is pricing in 2 hikes till end of 2026.

US 10y yield moved close to the psychological 5% mark. US Federal budget deficit reached USD 1.97tn, one of the highest on record. This move cane despite Treasury Secretary Bessent warning traders betting against US treasuries.

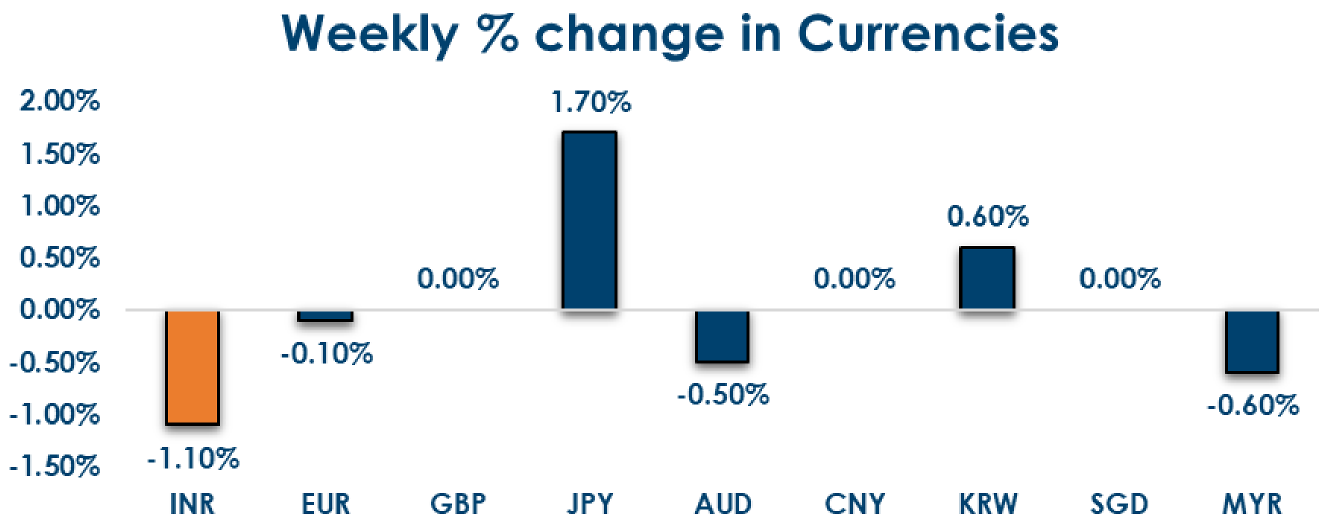
Commodities:

Commodities saw a mixed performance this week, with WTI and Brent surging 9.5% and 8.7% to USD 100 and USD 104.7, respectively, while European natural gas gained 10.5%; metals and US natural gas declined.



Foreign Exchange:

- G10 currencies delivered a mixed performance against the Dollar this week, with the JPY leading gains at 1.7%, while the SEK was the weakest, falling 1.3%, despite the ECB's expected 25bps rate hike.
- The Euro edged lower by 0.1% against the Dollar this week, failing to gain support from the ECB's 25bps rate hike.
- Sterling ended the week unchanged against the Dollar, reflecting a relatively stable performance amid broader G10 currency weakness.
- Asian currencies posted a mixed performance against the Dollar this week, with the KRW leading gains at 0.6%, while the INR was the weakest, declining 1.1%.
- Rupee traded a 94.37-95.80 range during the week and ended at 95.56 compared to previous week close of 94.50. Move higher in crude prices weighed on Rupee
- Forward yields show a mild upward bias in the near term, rising from 3.1% at 1M to a peak of 3.48% at 6M before moderating across longer tenors.
- 3m ATMF implied volatility stands at 4.43%, up 23bps on the week
- FX Reserves rose USD 44.9bn in the week ending 4th Sep to USD 785.7bn on the back of accelerated FCNR B inflows given premature closure of window.



Fixed Income:

- 10Y bond yields rose across major economies this week, led by the US (+18bps), UK (+17bps) and Australia (+17bps), while China saw only a marginal 1bp increase.
- Yield on the domestic 10y benchmark traded a 6.945-7.02% range this week and ended at 7.02% compared to previous week close of 6.97%
- FPIs have pulled out net USD 450mn from domestic bonds in September so far.
- 1y OIS ended the week 4bps higher at 6.03% and 5y OIS OIS rose 10bps to 6.57%.
- Banking system liquidity is in surplus of more than Rs 10 lakh crs. Overnight MIBOR fixings happened in 5.03-5.04% range. Weighted average TREPS rate through the week was 4.58-4.68%.
- 1y T-bill is at 5.89% while 1y A1+ CD is at 7.10% and 1y A1+ NBFC CP is at 7.65%
- 10y Nabard is at 7.77% and 10y AAA LIC is at 7.92%.

Our Views: What we like?

FX

Broad Dollar continued to remain in range. We expect EUR/USD to trade a 1.1330-1.1680 range

Rupee continues to remain exposed to Crude shocks as this week showed. While RBI can sell USD from Reserves and defend the Rupee, it will be in a conundrum if crude remains elevated for longer. The more it sells at lower levels and market keeps pushing higher, the bigger the dilemma it will be in, as to how aggressively it should be intervening

We see a 94.40-97 range for Rupee over the next 3 months.

Fixed Income

While overnight rates were under pressure on surplus liquidity, RBI announced an OMO sale for Rs 1 lakh crs to withdraw liquidity on more durable basis. This will likely spook bond markets.

We see the 10y trade a 6.90-7.15% range over next few weeks.

Commodities

We continue to believe Gold and Silver are a buy on every dip.

We were positive on base metals but prefer to remain on sidelines fearing broad based risk aversion.

Contact Us:
India Forex Asset & Management Pvt. Ltd.
+91 86557 85089 | info@ifaglobal.net
Subscribe to our Daily Reports Here!

**The views and opinions expressed above are for informational purposes only and should not be construed as investment advice.*