SEPTEMBER 19TH , 2026

WEEKLY NEWSLETTER

ELEVATED BRENT PRICES, US YIELDS KEEP SENTIMENT ON THE EDGE

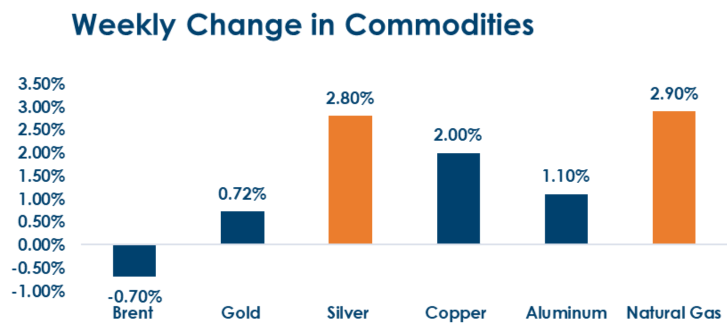
Global Development:

Fed hiked 25bp to 3.75-4.00%, its first hike since 2023, 12-0 vote, and 16 of 18 officials see at least one more 25bp hike this year.
BoE held at 3.75% on a 6-3 vote, with three members backing a hike to 4%, and expects CPI to reach about 3.75% in Q4 from 3.1% in August.
BoJ hiked 25bp to 1.25%, highest since 1995, in a 7-2 vote and the yen weakened after the decision. Yen weakened despite the hike.

Trump said Wednesday the US is "hopefully toward the end" of the Iran war and claimed direct contact with Tehran, but Tehran has not confirmed talks and Iran's SNSC secretary said there will be none until its conditions are met. Hormuz remains effectively shut, the June MoU has collapsed, and Trump is expected to meet Gulf leaders at UNGA next week. Houthi-linked attacks on Saudi oil installations have added to supply pressure, with oil above $100.

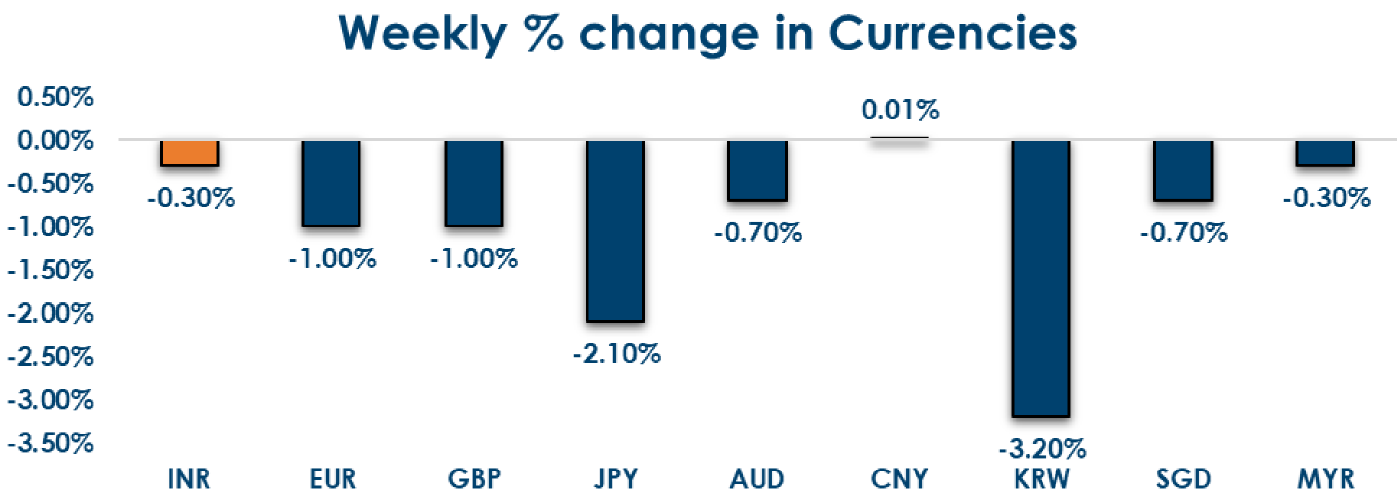
Commodities:

Commodities remained broadly firm this week, with precious and industrial metals leading gains—silver (+2.8%), copper (+2.0%) and gold (+0.7%)—while crude stayed elevated around USD 100–104/bbl despite easing from mid-week highs.



Foreign Exchange:

- The US dollar strengthened broadly across all G10 currencies this week, with the JPY (-2.1%) and NZD (-1.6%) recording the sharpest declines, while SEK and NOK both fell 1.3%, reflecting broad-based USD momentum.
- GBP/USD declined 1.0% this week, reflecting broad-based US dollar strength and weaker sterling performance against the dollar.
- EUR/USD fell 1.0% this week as the US dollar strengthened broadly, keeping the pair under pressure.
- Asian currencies weakened broadly against the US dollar this week, with KRW (-3.2%) and JPY (-2.1%) recording the sharpest declines, while CNH (+0.2%) and CNY (+0.1%) were the only currencies to appreciate.
- Rupee traded a 95.72-96.10 range this week and ended at 95.87 compared to previous week close of 95.56.
- Forward yields remain elevated across the curve, rising from 3.22% at 1M to a peak of 3.45% at 6M before easing to 3.11% at 2Y, with longer tenors recovering to 3.41% at 5Y.
- 3m ATMF onshore implied volatility stands at 4.48% vis a vis offshore at 4.80%
- FX Reserves fell USD 4.9bn to USD 780.8bn in week ending 11th September.



Fixed Income:

- Global 10Y bond yields were mixed this week, with France (+9.0bp) seeing the sharpest rise, while South Korea (-8.9bp), UK (-7.2bp) and Australia (-7.1bp) recorded notable declines; US yields edged up 0.9bp.
- Yield on the domestic 10y benchmark rose 5bps to 7.07% this week
- 1y OIS rose 4bps to 6.07% and 5y OIS rose 2bps to 6.59% this week. Overnight MIBOR fixings happened in 5.05-5.10% range this week. Weighted average TREPS was in 4.85-5.01%
- 12m T-bill is at 6.03% while A1+ CD is at 7.23% and A1+ NBFC CP is at 7.70%
- 10y Nabard is at 7.82% while 10y LIC is at 7.95%
- FPIs have sold net USD 1.6bn of domestic bonds in September so far.

Our Views: What we like?

FX

Broad Dollar and majors continue to respect overall ranges that we have seen over the last 1 year.

Rupee vulnerability to crude continues, albeit less than what would perhaps have been without the FCNR B flows.

Exporters are advised to hedge cautiously only to extent of in-hand orders and through participating structures while importers are advised to hedge on any dips

We expect a 94.40-97.40 range for Rupee over next few months.

RBI sucking out liquidity through short tenor Sell Buy swaps has resulted in Forward yields remaining elevated.

Fixed Income

10y yield is tracking Brent and US yields higher. OMO sales for liquidity management are adding to the pressure. 7.15% is an extremely crucial level above which there could be some panic.

Coupon hedging related flows has pushed Mod MIFOR spread over OIS to 115bps in 5y tenor

Commodities

We continue to remain bullish on precious metals and base metals.

Energy prices are likely to be headline driven. However the more time Brent spends above USD 100 per barrel, the more the perception of fair value shifts in our view.

Contact Us:
India Forex Asset & Management Pvt. Ltd.
+91 86557 85089 | info@ifaglobal.net
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