

US-focused debt funds shine on yield, currency tailwinds

Deliver average annual return of 12%

ILLUSTRATION: BINAY SINHA



Twin advantage

Schemes benefit from both US, India factors — 1-year returns (%)

14.3 Axis US Specific Treasury Dynamic Debt Passive FoF

13.6 DSP US Specific Debt Passive FoF

13.1 Aditya Birla Sun Life US Treasury 3-10 Year Bonds ETFs Passive FoF

10.0 Aditya Birla Sun Life US Treasury 1-3 year Bonds ETFs Passive FoF

9.2 Bandhan US Treasury Bond 0-1 year Specific Debt Passive FoF

Returns as of January 7
Source: Value Research

ABHISHEK KUMAR
Mumbai, 8 January

US-focused debt funds, most of which were launched by domestic fund houses about two years ago amid elevated US yields, have delivered a strong performance over the past year, benefiting from a dual tailwind of easing US yields and sharp depreciation in the rupee.

These schemes, which invest in US bonds or international funds with US Treasuries as the underlying, have outperformed funds investing in high-quality Indian debt securities. The average one-year return of US-specific debt funds currently stands at around 12 per cent, shows data from Value Research.

By comparison, domestic debt schemes focused on Indian government securities, or gilt funds, have delivered an average return of about 4.5 per cent over the same period.

Schemes with higher exposure to longer-duration papers, such as the Axis US Specific Treasury Dynamic Debt Passive FoF and the DSP US Specific Debt Passive FoF, have delivered the highest returns, with gains of up to 14.3 per cent.

Shantanu Godambe, fund manager at DSP Mutual Fund, attributed the strong performance to moderating US yields and rupee depreciation. "There are two reasons. First is the moderation in US yields. In calendar year 2025 (CY25), US 10-year yields fell by around 70-80 basis points (bps), leading to mark-to-market gains, especially in the longer-duration seg-

ment. In our scheme, longer-duration papers (7-10 years) account for around 80 per cent of the portfolio. The portfolio delivered 7.8 per cent return in USD terms in CY25. The rupee depreciated by about 5 per cent against the US dollar, which further added to returns," he said.

Vishal Dhawan, founder and chief executive officer (CEO) of Plan Ahead Wealth Advisors, echoed similar views. "There were two drivers. First, interest rate cuts by the US Federal Reserve led to mark-to-market gains in US bonds, and second, the depreciation of the rupee against the US dollar provided an additional boost to returns," he said.

Going ahead, performance will hinge on global factors, even as easing in US yields is expected to continue. "US debt yields remain elevated relative to historical levels. We believe there could be some further moderation, which may support returns. However, until the US-India trade deal concludes, uncertainty in the USD-INR may persist," Godambe said.

While the launches were timed to benefit from the expected compression in US yields, they were also positioned as a hedge against rupee depreciation, targeting investors saving for overseas expenses such as foreign education or travel.

Despite the strong returns, investor traction has been limited. The five schemes in the category manage only about ₹500 crore in assets, largely because most have remained closed to fresh inflows due to overseas investment limit constraints.

₹ falls to 90.03 against \$ amid 500% US tariff risk

ANJALI KUMARI
Mumbai, 8 January

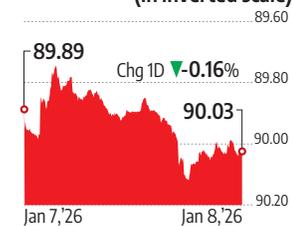
The rupee witnessed increased volatility on Tuesday, with briefly strengthening to 89.74 per dollar due to intervention by the Reserve Bank of India (RBI) via dollar sales, but persistent dollar demand, driven by proposed steep US tariffs of 500 per cent, coupled with sell-off in equity markets led to depreciation of the local currency by the end of the trade.

The rupee settled at 90.03 per dollar, against the previous close of 89.89 per dollar. It has depreciated by 5.06 per cent in the current financial year so far. In 2026 so far, it has fallen by 0.17 per cent. "The RBI was intervening for the past two sessions to keep rupee below 90 per dollar, however, the 500 per cent tariff statement by Trump led to outflows from equities and it also affected the sentiments," said a dealer at a state-owned bank.

The central bank's short positions and dollar demand among foreign portfolio inves-

Currency check

Rupee vs dollar spot
(in inverted scale)



Source: Bloomberg
Compiled by BS Research Bureau

tors further put pressure on the currency. The local currency fell up to 90.13 per dollar during the day.

"Though RBI came intermittently to sell dollars at 89.99 per dollar and took it down to 89.73 per dollar the dollar buying continued and ultimately brought back rupee to 90.13 per dollar where RBI must have again sold and closed a bit higher from today's low," said Anil Kumar Bhansali, Head of Treasury and Executive Director, Finrex Treasury Advisors LLP.

Gold, silver fall as traders brace for wider index rebalancing

Gold and silver fell for a second day, with investors positioning for an annual rebalancing of commodity indexes that will see futures contracts worth billions of dollars sold in the next few days. Spot gold slipped below \$4,450 an ounce, after losing nearly 1 per cent in the previous session.

Passive tracking funds are selling precious metals futures from Thursday to match new weightings

required by the indexes — a usually routine process that has taken on extra significance for gold and silver due to last year's blistering rallies.

Silver — which fell more than 3 per cent on Thursday — is particularly vulnerable to a sharp selloff. Citigroup Inc estimated about \$6.8 billion in silver futures could be sold to meet the rebalancing requirements, equivalent to about 12 per cent of open interest on Comex. BLOOMBERG