

Payroll and perceived Dovish shift by Fed

The markets which had been used to a Fed that treated a single weak jobs report like a blinking red light, are playing the same game in this vastly different era .

The lack of forward guidance means the market now has to guess the Fed's reaction function in real time. This transforms every data release into a binary event. Market is coasting right now but the moment they hit a bump- like a sticky inflation number, it is going to cause a volatile reality check.

Kevin Warsh has been explicitly signaling that he operates on a completely different wave length and he has come across as a proponent of looking at broader structural trends rather than letting a single month of data dictate policy.

In that context , the average number of jobs added in the last three months at 111k is the appropriate read rather than headline 57k .This could be one of the reasons why 10 year yield barely followed 2 year lower.

Warsh explicitly stated in Sintra forum that if businesses or households think the Fed will just tolerate inflation above 2% to protect growth, "I guess they'd be disappointed. We're going to deliver price stability."When a Fed Chair tells you exactly who is going to be disappointed, it's usually a good idea to believe him.

CPI report now carries more significance. If inflation prints hot, the market won't have a gentle "glide path" of warning speeches. They will have to violently re-price a potential rate hike.

Trump said Warsh at the Fed faces a board that is "a little bit hostile" and he "has to do what he has to do.Compared to the verbal warfare he used to wage against Powell, this is practically a gentle breeze. So Warsh has approval from Political leadership 'atleast' for now

JGB yield upmove :

10-year JGB yield has shot up toward 2.81% testing its highest levels since Oct 1996.

Japanese bond market is experiencing a harsh awakening. The era of cheap, infinite global liquidity has ended .When the absolute anchor of low global yields—the JGB—starts spiking toward 3%.

BOJ had the ability to guide yields previously but it is fast losing the grip despite the fact that BoJ is effectively is the JGB market.That's where Japan's real vulnerability sits. This is its

first meaningful tightening cycle in decades, layered on top of the world's largest debt load, an aging population, and rising geopolitical friction with China.

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