Global economy appears heading into another era where excess financialisation collides with actual physical reality. Previous such episodes are worth recalling : Junk bond mania of 1980s collided with actual default rates. Dot-com bubble met with lack of earnings. GFC2008 was when $500k mortgage couldn't be leveraged with $40k income.

Euphoria came to screeching halt as markets didn't hear enough from the Beijing summit. Dominant driver for now is the closure of the Hormuz (Day 79) and its impact on global oil prices with no clear endgame in sight while the buffer from global oil inventories shrinks fast.

Broader repricing of the rate outlook, with surging energy costs reinforcing bets on rate hikes at a moment when global govt debt had hit a record of $353 trillion by end March.(305% of world economic output).Bond-vigilante tsunami sweeping the global bond markets now and these moves tend to take on a life of their own, and they don't self-correct.

Not for the first time, it's Britain leading the way.10-year Gilt yields lifted 26bps.Yields on US 10s rose 24bps last week- another test with 20-year U.S. auction this week after a run of soft auctions last week. The EM investor should be wary of 10-year TIPS real yields rising sharply to 2.05%

Flash May PMI readings this Thursday should help shape the debate around relative economic performance.TIC data today & FOMC minutes (Wed) will offer clues on foreign demand for US debt and the hurdle for rate hikes.

Warsh will become the Fed's 17th chair since 1913, and its 11th since the FOMC structure was established in 1936.The Warsh Fed is trapped between two moving fright trains : on one side is the still-resilient economy with inflation . On the other side are markets & Political administration with ever increasing easing expectations.

May 2026 marks two milestones: One year ago Merz became Germany's chancellor and Lagarde announced Europe's 'global euro moment'. Optics aren't good after an year and even have deteriorated.Break below 1.1650 zone reinforces bearish signals

China's retail sales rose 0.2%, weakest since 22, while industrial output grew 4.1% -Weak growth & rising inflation - limited urgency for stimulus so far this year, but if data continues to deteriorate, this could change soon.

UK prime ministers seemed to be on their way out as soon as they'd arrived.There have also been eight chancellors before any post-Starmer reshuffle.GBP USD finally dragged into this crisis.An "elevated political risk premium." is getting built.Burnham- dubbed Labour's "King in the North” appears to challenge Starmer.Below 1.3322 , all the way down to 1.3000 break.

Hostory rhymes - new lending to the real estate sector in 2025 up15.1% to ¥17.8 trillion- annual total is about 70% higher than peak in the bubble economy in 1989 (¥10.4 trillion).concerns that a sharp decline in real estate prices could see repeat of 1990.10-year JGB yield hit its highest since 1996 at 4.2% after rumours of fresh debt issuance. Katayama in Paris- no intervention today - 159.04 break sets up 162.00

Trade deficit rose to $28.38 billion in April. Classical affirmation weaker exchange rate does not cure higher deficit . Another instance of excess financialisation meeting the actual vulnerabilities - 96.30 well within reach.