

The global financial system is fundamentally restructuring and this recalibration confirms that the era of cheap capital is decisively over and the bond markets are bracing for prolonged period of stagflation.

While Excessive debts and deficits are inflicting pain leading to higher yields, Inflation is the tide that's reshaping all prices, It's a paradox of monetary policy: only solution for higher long-term rates is higher short-term interest rates.

With inflationary pressure set to intensify, currency trends will be driven by the central bank reaction function. Norway and Australia could outperform buoyed by high rates and a good export mix whereas the currencies with

negative real rates and on the wrong side of the commodity ledger will continue to stay under acute pressure.

It is unclear what, if any, breakthrough has been made in the stalled negotiations to end the conflict. Trump said that he will “hold off” on a Tuesday plan, citing a request from Gulf allies.

Oil market is currently in the midst of its “shoulder months” – traditionally the weakest part of the commodity demand cycle throughout the year, coming out of the heating season and heading into the driving season. But, with the U.S. Memorial Day and U.K.’s spring bank holidays approaching, demand for diesel, gasoline and oil will rise sharply.

TIC data showed foreign holdings of US Treasuries fell to US\$9.35 trillion, down from US\$9.49 trillion in Feb. Seven of the top 10 foreign holders of US Treasuries, trimmed their exposure to US govt debt in March.

U.S.-German 2-year yield spread to its widest level since Mar 5. Dombrovskis, Commissioner for Economy says EU will downgrade its growth forecast on "stagflationary shock". Germany has announced its intention to re-privatize Uniper. Oil markets are operating under a "veneer of stability" and physical shortages could strike Europe by the end of May. EURUSD looks ranged with 1.1650 resistance

In March, China cut its holdings of US Treasuries to US\$652.3 bio from [US\\$693.3 bio in Feb.](#) [China](#)

emerging as 'focal point of global diplomacy' with Russian President arriving today -extremely rare in the post-cold war era for a country to host the leaders of US and Russia back to back within a week.

GBP USD inexplicable upmove could be on position squaring ahead of labor data today and CPI/PPI tomorrow .More importantly, Burnham sought to to reassure markets suggesting that he supported Govt's current fiscal rules and would have a plan to get debt down. Softer set of jobs numbers with payrolls change looking rather poor.Tough for GBPUSD moving past 1.3450 Monhigh, 1.3481 -50%1.3658-1.3304

Japan's Q1 GDP grew 2.1%.(exp 1.7%, a revised 0.8% gain in Q4).This data, of course, reflects a

period before the energy shock. The big move in JGBs yesterday was due to Takaichi's sudden call for an extra budget. MOF in quandary? To intervene or not to intervene- yesterday 159.08, highest since 160.72 April 30. Break 159.04 sets up 161.00 test.

USDINR consolidating around 96.30 and it is likely that there would be an attempt at 80 in 96 series shaping up.