Both sides have stepped up rhetoric in the past two days : Rapid slowdown in Hormuz transits, first Houthi casualties in the Red Sea, Iranian loadings close to zero in August, and importantly Shandong province inventory declining by 35 million barrels in July, (equivalent to a 1.1 mb/d draw).

Resultantly , EIA raised its 2026 Brent forecast to $87 from $82 and U.S. gasoline estimate to $3.78 - these STEO forecasts function well as trend indicators and baseline references and their price forecasts closely mirror actual realizations.

While the markets clearly set for a benign CPI today , it is the fiscal deficit number that could matter for the long end .July number today could come in at $400bn ($291bn -Jul 2025), shaping up for a $2.1tr deficit for fiscal 2026.10yr swap spread which has been holding steady in 40bp zone since May and providing a helpful buffer for market mechanics could edge up to 50bp.

For almost two years (694 days) , Fed has been either cutting or holding rates. In total, Fed had cut rates by 175 bps, with the last cut on Dec 10th, 2025.The 10 year yield is 98 bps higher and 30 year 125 bp higher, than it was on Sept 18, 2024, when Fed started cutting. Only one rate-cutting cycle of 1980 saw similar dynamics The key takeaway from that cycle : When Fed eventually panics and hikes rates , the markets end the panic.

Realised FX volatility is sinking everywhere . The usual ranges continue to hold. Several seasonal mechanics converge during mid-August dates:With human volume usually abysmal in this week , market activity is largely left to high-frequency algorithms trading in narrow ranges.

Only pair that might bring life into the FX markets this week is USDJPY Tankan showed Japan manufacturer sentiment at plus 18 and non-manufacturers to plus 28 .JGB yields rose, with 5-year hitting a record and the 2-year its highest since 1995- roughly two in three odds to a Sept BoJ hike. USDJPY cares little about it and holds above 159.00.

Range in USDINR also shrinks - Tempting for "caged bird" to return - hope it does not , given the recent experience . 95.40 95.45 for now.