Markets normally discount stress slowly, then press the panic buttons all of a sudden. The current global bond market meltdown resembles one such moment and this yield shock is the primary catalyst driving today's highly defensive tape.

The last time long bonds traded here was July 2007.Just recall that the risk market was "all is well" in Oct 2007 too. Dow had then hit an all-time high and USD was testing its historic lows in Nov 2007 - euphoria was fuelling leverages everywhere, but the bond market was sending out stress signals - Few weeks later, crisis began and the stampede to exit gates ensued .

Global bond markets are exerting immense gravitational pressure on rest of the asset markets.The long yields are rising in an environment which has been already showing signs of stress The long end is not just saying inflation might stay sticky.It is saying the cost of capital is rising in that part of the curve which determines whether the entire credit system can keep rolling over.

Markets concerned that even if a temporary pause in the conflict is achieved, disruptions to oil flows & heightened uncertainty could keep energy prices elevated.Until there is an actual agreement, each day of no agreement offers global bond markets a vacuum to trade into.

Beyond the by now familiar narratives on war and oil, EU has struck a provisional agreement to implement its Turnberry deal with US, paving the way before Trump's July 4 deadline.Over the last 15 years, Europe has seen too many make-it-or-break-it moment.You'd be forgiven for thinking that Europe loves a crisis and relishes finding a way out at the last minute. This time its indeed tough - 1.1650 holds for a trip down the road.

Sweeping package of trade concessions : China announced it will purchase 200 Boeing jets, review rare earth export licences for civilian use and pursue reciprocal tariff cuts on $30 billion or more of goods with the US as part of a broad trade package. In normal times , these headlines would have been risk positive., but now it makes no impact.

Parallels are being drawn to the Truss moment but the dynamics are different . No unfunded fiscal packages have emerged this time and the issue is primarily political, with fiscal risks dependent on future decisions.Jobless rate rises to 5% and employment falls by 100,000, biggest drop in six years.Services inflation falls sharply due to one-off factors & base effects. 1.3290 obj

Japan’s banks are grappling with a problem that was unthinkable a few years ago: Loans growing faster than deposits.Japan’s yield curve has become “too steep” relative to other DMs .Most in Tokyo already see 25 bp June hike to 1% in policy rate.Circles around 159.00.

Incidentally ,when 30 year US was last traded at 5.18% , USDINR was at Rs 40.00 and the BoP surplus that year was USD 92.2 bio -the factors at work were different - The hidden macro stress this time Is the real story behind galloping USDINR - turbulence in external sector spills over into the Internals - predictable halts in 30 - 80 corridor in the succeeding series.