

It is typical split screen - On one hand ,US with tariff threats , "instrumentalizing uncertainty" to try to force trading partners to offer concessions and on the other hand, its trading partners attempting to forge closer ties amongst themselves to lessen their dependence on US.

Easier said than done : Krugman once emphasized extent to which international trade between equals increases the overall size of the economic pie. And no pie has ever grown larger than the combined economies of U.S. and Europe, which now constitute half of global GDP.

Markets have so far treated never ending trade and tariffs saga mainly as noise - there's a now a growing apprehension that this time it could get different .While markets have been adapting to Trump's tariff ambiguity, balancing act is getting riskier - Markets will hope that a certain TACO theory would save the day sooner or later .Till then its "Strategic Uncertainty"

The weekend letter puts pressure on EU towards negotiation - 30% universal tariff could cost 0.4% of GDP growth, pushing Europe back to recession.With retaliation delayed ,next three weeks will be crucial., as 30% number is not just headline bait; it's punitive by design, and the world will grow jittery as tariff deadline ticks down.

Beyond this tariff news, lot of data this week - CPI Tuesday- expected at 2.6% y/y, and core to 2.9% y/y. Cleveland Fed's Nowcast model sees headline at 2.6% y/y & Core at 3.0% y/y. In this current context, Fed Beige Book (Wed)& May TIC data (Thurs) will be important .Plenty of Fed speakers as well this week with some of them trying to impress - media blackout goes into effect Friday midnight.

Modest early decline to 1.1650 in EURUSD suggests markets looks at 30% as "Art of the Deal". Beyond tariffs , its ZEW on Tuesday which is important- expectations index expected at 50.7 vs.47.5 in June- current situation expected at -66.0 vs. -72.0. A soft data would make the EUR longs flee for exit - Close below 1.1665 21-dma to be bearish for 1.1530 .

Chinese Exports were up 5.8 % in June, after the 90-day tariff reprieve agreed with US in May.China's trade surplus rise to nearly US\$114.8 billion for the month - An ominous sign of rising industrial overcapacities.

Mansion House speech by Bailey on Tue. .CPI on Wed- BOE projects June headline CPI at 3.4% y/y & services CPI at 4.6% y/y.Labour market data Thursday to show slackness - GBPUSD is on its way to test 1.3389 LBB & 1.3373 June base.

Q1 2025 COFER data showed large reserve managers had cut JPY exposure : structural outflows from Japan could continue - Opposition in favour of tax cuts & loose monetary policy could gain more influence after July 20 election as Ishiba's coalition - as per surveys- may lose majority.June national CPI Friday. 148.55 obj.

USDINR biddish in 85.85 - 86.15 range.