

Markets have now completed the 90-day period of relative quiet on the tariff front, punctuated by multiple rounds of tariff threats and walk-backs but not enough to shake complacency about the stagflation risks - markets are convinced that the pattern of threat/détente will continue but worst-case scenario could be behind us.

Latest Copper Tariffs would push up costs across US economy. US produces only about 5% of the world's copper & there has been a 20% decline in production over the last decade. While US copper futures rose, the prices elsewhere in the world fell amid fears that tariffs could reduce US demand.

Succession saga dominates conversations amidst Trump's frequent criticism of Powell. Bessent emerges as front runner to succeed Powell - speculation Bessent could be Fed chair who might run the Treasury as well -howsoever weird it is, Bessent can't have one foot in the independence camp & another foot in the political camp.

FOMC Minutes - nothing new. 10y note auction saw solid demand. Today's focus is USD 22 bio of 30y bond auction. Global fiscal worries are pushing up 30Y rates and therefore this auction will be closely watched. COFER showed no alarm over USD's reserve currency status.

Europe-US trade deal optimism priced in.

Recent official comments have hinted that a US-EU trade deal "in principle" could be announced imminently. Given EUR/USD has already rallied on expectations, delay or lack of details could trigger a sell-off.

Policy reversals in US are so frequent that many Chinese exporters desperate on prolonged dilemma - transshipment strategies throughout the region at risk - Whether staying in China or expanding abroad, they are facing unprecedented uncertainty.

Considering where the debt levels are, it is not hard to see why the markets wobble at the slightest indication that Reeves, and her fiscal rules, might be under threat. It does rather look as though she is the last bulwark against chaos. BoE's Breeden to speak today -

US-Japan negotiations don't look to be going well - stakes are sky high for Japan. BoJ as well as Ishiba continue to place a great deal on trade deal for adjusting rates and winning 20 July elections respectively. USDJPY objective still is at 148.54 - 76.4% of 151.21 to 139.89 (March to April) drop

Retreated from 85.90 itself and should stay weak supported in 85.55- 85.75 range.