Markets tend to trade on hope for quite a while. However , if the disruptions persist and inventories continue to be drawn, expectations of peace may not be enough.The question then stops being when will the war end and becomes where will the missing barrels come from? Right now the markets might be at that intersection

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Ripples from the Iran war continue to influence monthly overall swings in CPI.Cleveland Fed sees benign CPI at 3.4% y/y - however , three-month change in core and headline CPI will be a cleaner read on whether momentum is genuinely decelerating or reaccelerating.

Beyond inflation , Fed's balance sheet policy matters as US rates are decisively the anchor for global curves. Smaller Fed balance sheet argues for larger real rate premium. If Fed balance sheet were to fall toward 10% GDP, upward pressure on real yields could intensify and hence defining characteristic is structurally higher real yields.Monetary policy could therefore be a wild card going forward.

Its worth noting that a metric which is not well known viz : Employment Trend Index by Confidence board tends to lead payroll employment growth by approximately two months.ETI at 107.71 remains only 0.6% above its level one year ago, suggesting that payroll growth may remain modest in the months ahead.

Nvidia’s announcement to mobilise $500 bio in third-party capital for AI infrastructure directly addresses whether capital—and specifically computing power ("compute")—is becoming scarce. As the capital is shifting aggressively into AI, US treasury auctions this week in the hunt as well.

All the above- Continuing upswing in oil prices and resultant Inflation, Balance sheet objectives of Warsh Fed , Stable labor market and Capital being chased by hyperscalers as well as deluge of issuance - point to Sept Fed rate hike...

For the first time, Financial markets are going to be more worried about climate risk rather than conventional differentials. Sweltering heatwaves have brought home the reality that its costly amid life-altering economic impacts.Costs are set to rise faster than temperatures. ECB has already given markets commitment to a Sept hike. Below 1.1570,expect 1.1440 .

Same climate story as that of Europe- noone takes note yet of almost three-quarters of UK now in drought .Consumer data paints a mixed picture- Cable's recent climb does not reflect any distinctly sterling-positive. Friday's high of 1.3509, followed by Jul 15 high of 1.3556 to hold before GDP data 13 Aug

Japan holiday - lack of follow through on coordinated intervention means Japan now has shifted to a passive strategy - to settle for slowing the dollar rather than reversing the yen's decline- markets however keep testing resolve. Took profit at 159.30 .Buy dips to 158.56 (38.2% retrace of 163.99-155.20)

-FCNR B headlines now a tool to break the velocity but not the direction.USDINR close above 95.30 to shift the focus towards 95.80.