

Base case for US economy centres around continuing soft patch without a recession amid solid corporate earnings & massive AI capex , besides the Fiscal spending -

Fed enters this meeting under pressure ,not only from political administration but also from markets which have positioned for that. There would probably be voices arguing against a cut in the room but Fed could go ahead with a rate cut , which is any way going to be inconsequential - this FOMC could be remembered only for the fact that Miran would be the first Fed Governor to spend his first day in office in FOMC .

Its not often ,you would see Monetary policymakers react to price shocks , but the unwritten rule is that they should always remain focussed on nflation expectations - which normally begins to adjust in response to short-run price movements- raising risk that the price rise lead to persistent inflation.

With year-ahead inflation expectations holding steady at 4.8%, last week in UoM, Claim that “the neutral short-term interest rate” is closer to 3% than 4.5%, and that Fed should move to “neutral” is impossible to defend.

Weekend U.S.–China trade talks in Madrid touched on TikTok, tariffs and economy, though few details emerged. TikTok’s fate has become central to U.S.–China negotiations ahead of a possible Trump–Xi summit.

Not a surprise - EUR USD short-term rate differential to the tightest in a year. Any way rate spread doesn't drive currencies in this new paradigm.The tariff shock on Europe is unfolding more gradually, with a milder but more prolonged growth hit. The impact now blunted by solid consumption, on falling rates and benign inflation.1.1745 holds - our bearish call also holds.

August data showed persistent weakness in property market which is a key driver behind soft consumer sentiment, which continues to dampen retail sales- outcome is that 2.65 million new A-share accounts got opened in August (+35% m/m ) - sign of households seeking to get quick rich.

BoE rate decision Thursday - no change for sure - Rightmove this morning shows that average asking price on a UK home is 0.1% lower y/y.Jul mfg output -1.3% m/m, +0.2% y/y. Weak economy with no plausible quick fix cannot have a strong currency.

The contest for PM seems to narrow between Koizumi, and Takaichi. BOJ to stay unmoved - leave rates at 0.5% on Friday - Japan on holiday - 146.50 148.50.

Global or domestic macros to have no impact - Discomfort seems to have been signalled beyond 88.35 -well received by the markets as well .