

Dominant themes as the tumultuous Apr- June quarter ends - Inflationary impact of Tariffs , Tariff deadline, One Big Beautiful Bill Act (OBBBA), Stocks markets roaring back to record highs & a USD sell off on perceptions of flight of capital from US assets

The top question these days is "When will the tariffs show up in inflation data?" : the answer : you just need to know where to look rather than what do you want to see - Consumer prices of major household appliances rose 4.3% in May - nothing in the data that would take FOMC consensus off patient course reflecting the policy conundrum Fed finds itself in.

US would consider extending flexibility to original early July deadline for the pause -next few weeks would bring a flurry of activity as well as theatre as happened with Canada (Canada has just rescinded digital services tax to advance trade negotiations).Ultimately, tariffs would be higher than they were at start of year.

CBO estimates that the current version of Senate bill would add \$3.3 trln of budget deficits over the next ten years due to a \$4.5 trln decrease in revenue and a \$1.2 trln decrease in spending. For comparison, the estimate for increased deficits is \$2.8 trln for the House bill. The bill faces a "lengthy process" with "a lot of discussion, debate" lying ahead in Congress .

S&P 500 up 0.5% in price terms since Feb 19. Not that journey was flat. After a gut-churning rollercoaster drop , the ride back pretty darned swift in fastest recovery ever from a drop of -15% or worse. Old saying that -Markets don't wait for clarity and all-clear signal- came true again

Markets assumed this quarter to be the beginning of a lasting downward trend in foreign holdings of U.S. assets. However flows tend to signal otherwise -US dollar sell-off looks overdone...

Consensus for June NFP is 113k - whisper number at 106k. NFP averaged 149k per month over the past twelve months while the breakeven pace of job gains needed to keep the unemployment rate stable is between 80k and 100k.

EU's plans to cooperate with Pacific Rim countries creates a buzz- Merz says new grouping could gradually replace WTO.

ECB hold annual forum in Sintra this week. EURUSD to range between Thurs 1.1654 low & 1.1754 Friday high. Note 1.1745 is a 78.6 Fib retracement of the 1.2349-0.9528 decline and any close above that should be seen as fiercely positive .

New orders sub-index rose to 50.2 in June from 49.8 in May - sub-index for new export orders to 47.7 from 47.5. China's reliance on exports accounting for 40% of Q1 GDP

underscores vulnerability to shifting global trade dynamics.

Business confidence levels hit highest since 2015 -however margin of economic slack has opened up over time. 75% odds of a cut on Aug 7 and is pricing in 75 bp of total easing over the next 12 months. Bailey speaks tomorrow. Ascent to 1.3770- 44 m high - fuelled by USD negative fears about Fed independence. Prefer a sell with stop above 1.3770

Tokyo is finding ways to get Washington to exempt Japan's automakers from 25% automobile-specific tariffs. Japan also faces a 24% so-called reciprocal tariff rate starting on July 9 unless it can negotiate a deal. Japanese economy to continue to be slowing - BoJ very cautious. Q2 Tankan & Ueda speech tomorrow. Prefer 143.45 as a stop for USDJPY long - 148.55 obj .

Stays in the vicinity of 85.50 -no triggers for any move as of now -