

Fed is probably watching what's unfolding in Canada and Australia -

Canada is a classic example of Central bank jumping the gun - BoC's decision to cut rates is now confirmed as policy error-violated forward guidance and reacted prematurely to only four months of soft core inflation after prolonged period of missing inflation targets. On the other side of the world, Australia kept patience - who knows , they are embarking on hiking ?

We have heard this story many times ever since Fed started hiking rates , still its worth hearing out once more - the present day Consumer's pushback on high prices is an early warning sign that he is facing financial stress, which could possibly spread into broader economic weakness.

Lisa Cook was talking about this when she said there is increasing evidence higher-income shoppers trading down to discount stores. Now one more evidence - fast food price wars - race to bottom: McDonald's has a \$5 value meal. Wendy's \$3 breakfast meal & Subway's \$3 sandwich dipper. reiterate how price sensitive consumer prevails - earnings & consumption could come under pressure .

Today we have the third revision of 1Q24 US GDP – which is one for the history books -not very exciting. Prelim May US durable goods orders worth a closer look. *Biden & Trump are going head-to-head in first debate -its* important because it has potential to break present logjam. Either way , one thing is certain - yields are headed higher.

Lots of noise, very little price action.
French spreads are still elevated but don't look excessive. **German July GfK consumer sentiment -21.8 vs -18.9 exp**, ending streak of four consecutive rises. EURUSD on expected lines - Wed 1.0666 low and then 1.0649 May base to break for 1.0570

Beijing Property market support headlines
Indl companies' profits up 3.4% y/y in Jan - May, from 4.3% in Jan - Apr. Perceptible slow down - Yield on China's 10-year govt bond fell 1.2 bp to hit a low of 2.2425%.
USDCNY upside above 7.3500 looming .

BoE 's Financial Stability Report today . As against range 1.2670 /1.2720, GBP came lower to familiar 1.2620. Range prevails.

Hats off to all those who believed us and rode this upmove- some did acknowledge -

unusual - Suzuki : will take "necessary" actions on FX. Hayashi echoed the same- respite creeping for JPY- hotter-than- expected retail sales- JPY very seldom takes this data seriously. -tactically its wise to stay aside till First French vote on 30 June.