

First French elections : After unusually high turnout, the RN bloc leads with 34% of the vote while left-wing coalition is in second with 28.1%.

The next, and final, round of voting is on July 7. If the results are similar there are a number of potential scenarios, including a hung parliament, an alliance of parties to block the far-right from reaching govt, or a win for Le Pen's rightists. As of now, it appears Le Pen may probably fall short of 289 seats required for absolute majority, suggesting France could be heading for hung parliament - political uncertainty) Hence ,

Lack of downside surprises from Friday's PCE data may have been enough to push US yields .This is along the lines of that

familiar theme which we've been hearing over and over again that 'last mile' in inflation is going to be hard going

Atlanta Fed GDPNow tracking Q2 growth at 2.2% SAAR vs. 2.7% - there will be plenty to work through with Powell speaking on Tue, FOMC minutes on Wed and Payrolls on Friday- consensus is 190k vs. 272k in May, while whisper number stands at 198k.

The tail-risk scenario that the united left could take power and implement its costly agenda seems to have receded. Gap between French 10-year bonds & German 10-year debt narrowed by 7 bps to 72.8 bps, set for its largest one-day drop since Nov 22 - however remains close to 12-year highs above 82 bps. German inflation number today- some final mfg PMI releases for the Euro area but none of

which should be impactful. But it's tough to be bullish on the euro right now until the dust settles.

Labour Party maintains a 20pt lead - Labour win priced in. House prices in UK continue to hold up but Nationwide argues that activity in the market remains fairly subdued. Fragility of economy blamed. Friday close marginally above 100 dma - 1.2670/1.2720.

Tankan Large Mfg Index rose to 13 in Q2, hitting highest in two years. Interestingly, it is the accelerating inflows to foreign equity Toshin (Japanese investment trusts), driven by new investors utilizing NISA (Nippon Individual Savings Account) - that's the new price insensitive source of demand for USDJPY. As French bond sell off did not intensify, we can expect

**USDJPY to power itself towards. Nov 1986
high of 164.87 and April 1986 high of 178.**