

Bond market has always been sending pretty consistent signals of rising inflation -now data is just starting to confirm .

US retail sales came sizzling hot at +5.3% vs. 1.1% exp. Control group rose 6.0% vs. 1.0% exp .PPI rose 1.3% vs. 0.4% exp - largest since 2009. Cost of goods - strong 1.4% gain. As commodities are further moving higher, PPI would stay firm going forward .

However, FOMC minutes showed lack of alarm or concern . Emphasis highlighting temporary inflation bumps -Fed speakers have been doing since then.

USD index : Tuesday's bullish outside day validated by close past 90.72 - Above 90.65 (21dma) to see 91.25, 76.4% Feb fall

EUR sentiment to stay bearish while US

yields remain elevated. ECB Accounts today - they have been on wait-and-see-after expanding PPEP by EUR 500bio.- more of their thoughts on Exchange rate as well . Resistance at 1.2090/1.2100 where 10 and 21 dmas converge. Support at 100 dma 1.2000 -break targets 1.1887

Global markets got multiple fresh catalysts during Chinese break. USDCNY flirting with Bollinger downtrend channel at 6.4477- Still looks poised for above 6.5000

Johnson promoted Brexit negotiator Frost to cabinet minister. Frost oversaw Brexit deal- increased friction with EU. Too soon to be talking trend reversals but GBP has taken a hit. Likelihood of more QE to be the key factor after negative rates ruled out - lower the probability of more QE, the better for sterling.

JGB yields have only risen 10bp from Jan

lows to today's 10bp one-year peak, versus 40bp surge in 10-year US yields. Markets to revert to rate resistant JPY and CHF rather than USD for carry trade funding- so USDJPY to see strong bids - rally stopped at 106.225 (106.23 obj). Close abv 106.08, the 38.2% Fibon of pandemic downtrend, will put 50% Fibon at 107.155 in play .

Brent moving into 65.65 obj- break there sets up 71.15. Higher carry amidst higher oil- So USDINR should stay in the range 72.80 73.10 .

