

Calming US bond yields ahead of data and Powell - expectations lofty from today's ADP, ISM services & beige book., Powell tomorrow & ofcourse Friday's Payroll.

The potential bout of inflation this spring in an economy turbocharged by govt spending as well as vaccines and higher yields is the reality .Some retracement not surprising given recent ascent - uptrend resumption likely after the events/ data.

On Mar 31,regulatory break that big banks have in SLR would expire. Unless Fed extends break (looks unlikely),banks have to hold more capital against Treasury and deposits they keep at Fed implying lesser demand for US treasuries.

Fed speakers have been non committal about rapid yield curve bear steepening. Left to Powell to fend off ? Brainard said

bond-market volatility last week "caught my eye". 10 Year TIPS yields fell nearly 8bp intraday dragging down USD index .

It was the second time in four sessions that EUR/USD reversed after appearing to achieve a range breakout. Defends the 100-dma support with long-tailed candle -dip demand. Should struggle to overcome 21dma at 1.2095 & 10 dma at 1.2115. ECB meeting next week may send stronger response to rising yields (yes..that's currency positive !)

China services PMI fell to 51.5, lowest since April. Employment at 47.9 - into contraction. Consensus China narrative under risk and USD/CNY downside less likely - pair in neutral range 6.4475-6.4730.

Led by Dollar ,in four sessions, GBP nearly retraced half of this year's 1.3451-4240 advance with a fleeting 1.3860 low, near

50% Fibon at 1.3846. Big day today - budget nerves : tax rise vs stimulus - exp massive borrowing GBP 250 bio . Continues to stay short for 1.3630

USD/JPY off a notch from 106.95 high. 106.70-78 range since, quiet, support from area of 106.71 55-HMA. There may be one last push to key topside objectives at 107.05/08 or 107.32 before pronounced pullback.

Anecdotal evidence confirmed with data. Exchange rate no more trade driven and is a function of capital flows. (Merch trade volumes & headline numbers stay flat over seven years) - hence no impact of recent Oil surge. Friday's spike warns that shorts complacent - still offshore skewed bets on rupee strength. 73.27 73.47

