

After weeks of Fed speakers downplaying inflation and suggesting that rising yields reflect economic optimism, FOMC just reiterated their stance. There is no rationale that could pair 6.5% economic growth with a 0.25% fed funds rate. Isn't this why there is the saying, "bond traders are always the first to know & Fed is always the last to know".

Markets might see some follow through of the post-Fed moves. However, sustaining this euphoria requires more of "make believe" narratives . Tough ask.

Fed expects inflation to remain tame even as unemployment rate drops, a calculated gamble that emphasizes employment gains and downplays inflation risks - Fed sees the world as market sees it .

Over the pandemic year the importance of yields and growth for currency valuation has been relatively obscured than ignored. But like suppressed urge, the more you deny it the stronger it gets. Continued rally in yields and Dynamics of USD following US yields is poised to continue.

EUR/USD could continue to be vulnerable as upcoming U.S. data remains stronger and U.S.-EZ yield differential widens. With EZ underperforming due to delays in vaccine roll-out, it is difficult to get overly bullish towards EUR. Prudent to be Selling rallies with stop of 100 dma at 1.2047.

Yuan restrained ahead of US-China meet in Alaska - Media report China to ask for rollback of Trump policies- Hopes for warmer relationship likely linger still. USDCNY to stay circling 6.5000.

UK's speedy COVID-19 vaccine rollout hit by supply cut. 1.4010, 50% Feb-Mar fall capped last Friday -key resistance. 1.3801 LBB and 1.3779 Mar low to hold well.

Focus now on Fri BOJ meeting outcome - Market speculation has centred on two potential changes to policy:. 1.Allowing the yield target on 10yr JGBs to swing more widely around 0%. 2.BOJ may drop its 6tln yen ETF yearly buy target. USDJPY Positive setup - obj 109.56, 76.4% Mar- Jan fall break there to set up 111.30.

USDINR was atleast supported yesterday - The key technical zone or the last bastion of support is at 72.40 and so long that holds, possibility for an upmove exists.



