

Though not expected to overtly signal an imminent shift towards tighter policy, markets remain wary of subtle hints. Moreover, the ability of the dollar to hold in recent days despite inflation-adjusted U.S. yields softening further signals broader caution.

Inflation emerging as the key risk for sure across the world. NY Fed survey shows one and three year inflation expectations at 4.0% & 3.6% vs April's 3.4% & 3.1%. Job prospects seen as extremely favorable.

Besides May U.S. retail sales, today's data includes June Empire State index & May PPI and IP.

For EUR/USD, the series of lower recovery highs and lows since late May & \$16.3bln net spec long position continue to be the cause of worry. Better EZ IP - seesaws in

10-pips range around 1.2120 -Risk of testing of 1.1986/92 - (May 5 daily low & 200 dma) .

US carrier group sails into the South China Sea. This will be a freedom of navigation exercise but is likely to draw a rebuke from China. Headlines risk on Taiwan as well North Korea now ?

USD/CNH holds above 6.4000 as NATO joins G7 in adopting tough line on China. Slight bullish bias above 21 dma that now supports at 6.4027. PBOC injects CNY 200 bln via 1-year MLF, rate unchanged .

In contrast to the anarchial central banks all over the world, BOE governor frets about trillion-pound balance sheet. UK extending COVID reopen GBP negative. Yesterday's 1.4145 high -first below cresting 21-dma since mid-April - under pressure inside Bollinger downtrend channel. From 1.4112

bearish trajectory - 1.4000 psychological - trend-line off Jun 20 low is just below.

BOJ seen extending pandemic aid this Friday.USD/JPY as expected - extends Fri rise using 10 dma as support.Uptrend line across May & June highs - at 110.52 for the day - possible cap.

Relentless optimism despite consistently strong negatives. CB balance sheet shows up in inflation at last - May CPI at 6.30%/y .Record high WPI at 12.94%. Basic economic principles work - inflation is always.a monetary phenomenon and in EM context, will definitely hurt currency despite Reserves. 73.10 to hold for 73.65