

While Russian headlines are must watch and growth forecasts getting too volatile ( DB has done its usual bit again ), its possibly the global monetary tightening that should stand as the loaded fundamental theme for now.

From a Fed that had been singing transitory chorus four months ago, we now have a Fed that wants to scare economy about inflation. What more do you want as evidence than Brainard beginning her speech with a Volcker quote.

In a significant change ,the usually Dovish Brainard cautioned that Fed “is prepared to take stronger action” and could start reducing its balance sheet as soon as May and would be doing so at “a rapid pace.” Daly added further say that the labour

market is extremely tight.

Whereas the aggression by Fed has been priced in by the markets, Balance sheet reduction is the more abstract risk and has not yet been factored by markets. Hence , it has the potential of generating greater market adjustment - read volatility .

USD index upward sloping channel since May 2021. On March 4th, the index broke above the top of the channel and made a high of 99.41 on March 5th. Since then, price has been oscillating around the top trendline of the channel between 97.68 and 99.41. Now break past 99.41 indicates 103.00 coming .

**ECB's Wunsch says ECB rates could rise to 1.5 to 2% in the "longer term". U.S., EU & G-7 will announce new round of sanctions**

on Russia. EURUSD break below 1.0944 has left the pair poised to test new lows .

**Awful data : Caixin Services PMI slumps to 42.0 in March ( exp 53.00 )-falls at the quickest rate since Feb 2020 -notable drop in sales. Yuan appreciation in the overall global USD strength and a dramatically slowing economy is fraught with serious risk . ( rest of the EM central banks to read the message) No doubt , Lockdowns are having impact - however it is the declining overseas demand - new export business falling to its lowest since Oct 20.**

Adverse energy developments caused by new sanctions might take a toll on GBP Decent amount of repricing of BoE hikes as well.**Explode of symmetrical triangle formation on the downside. Test and break of 1.3000 for 1.2835 .**

## **Technically, Breakout of Darvas**

box chart pattern suggests that the decadal highs are coming soon -Yesterday held 122.30 as expected, and for now, the objective at 125.10

**USDINR cant stay forever depressed in an environment of rapid global monetary policy adjustment., especially in the context of QT . 75.40 75.70**