

On January 1, the rate markets were pricing in Fed Funds of 0.8% for the end of 2022 – about three 25 bp rate hikes over the year. Fast forward to today, and the futures now price in a 2.5% rate by the same year-end point, three times as many hikes in three-quarters of the time period.

Powell to reinforce that Fed will do a 50 bp in May when he makes final public remarks tomorrow -(markets are already pricing in 233bps until early 2023). John Williams said that a half-point rate rise next month was "a very reasonable option," in a further sign that even more cautious policymakers are on board with faster monetary tightening.

NY Fed Empire State mfg index at 24.6 vs -11.8 in March .New orders 25.1 versus -11.2 &.prices paid +86.4 -a new record

-versus 73.8 .Michigan cons sentiment gains to 65.7 from 59.7 last. USDIndex 100.55 break indicates 103.00

For all the talk in wanting to fight against inflation, with its usual run of the mill more dovish/less hawkish bias, ECB certainly isn't hinting at any conviction - it's hard to find optimism now or even in the foreseeable future. EUR/USD is now testing the 1.0800 level once again -is on course to test 2020 low at 1.0635 .

China's GDP expands 4.8% y/y in Q1 2022. Beneath the surface, Chinese slowdown is severe- its simplification if its equated with lockdowns. Collapse of real estate bubble is the biggest problem. (real estate sector accounts for around 29% of China's GDP). It is impossible for Chinese govt to offset the impact of such a massive part of the

economy with other high-growth sectors. China's debt-to-GDP ratio for the entire private sector now stands at over 250% and the corporate component of this debt is the highest in the world. USDCNY ripe for a move higher now.

UK inflation rose above 7% opening the door for a subsequent 25 bps. Feb GDP disappointed- up by 0.1% m/m (exp 0.3 %). Jan new jobs at +10k (exp +50k).

Bailey to talk tomorrow. GBPUSD has to account for this stagflation . 1.2855 next .

Kuroda with some yen-related verbal intervention - markets are more discerning about Dovish BoJ and deteriorating BoP position on oil spike - approaching its two-decade high at 132.38.

All those observations under JPY very

much applicable here too . So cant
continue to bottle this pressure . USDINR
is back knocking the mid 76.00 zone and
this time, RBI wont mind giving passage
above 77.00 - just like what had happened
in bond segment .76.30 76.60