

Overvalued markets take long to bottom (1928, 2000)- so is this - Stocks staged a second consecutive sizable rally amid signs that perhaps the recent downturn was a touch overdone.

The buzz words that keep the markets going in rounds : Inflation and Recession. While previously, when either of these dynamics got worse , the stocks were sold off . Now markets are getting comfort in their cognitive dissonance assuming that the- peak in inflation had already been hit but recession had come home .

Double barreled monetary tightening.No worries about QT as Treasury market is losing its biggest buyer come 1 June . Market has already priced in all the worries?

The dollar is set for back-to-back weekly losses for the first time this year. The recovery in risk sentiment (which is arguably overdue) and Treasury yields dropping in the past three weeks is also reason for dollar bets to cool off.

Whereas Tighter rate path by the Fed appears priced in, the elevated inflation narrative and the tight labour market would support upside in the dollar. USD index 101.43 should hold well.

The 7 yr note auction was impressive. The yield of 2.77% was 3 bps below the when issued which is a large tail - Is this in response to growing recession fears? The belief that inflation has peaked?

On the data front, Pending home sales (existing homes make up about 90% of the market) fell 3.9% m/o/m in April after 1.6%

drop in March. Today 's PCE and Core PCE will be in the centre of the debate

Markets care less about the macro weakness and its all about Dollar weakness .ECB's de Cos: Inflation will remain high .Immediate hurdle at 1.0765 (monthly high May 24) followed by 1.0771 (55-day SMA) should hold into the week close .

Sunak's latest fiscal package won't prevent economic stagflation, with said stagflation being about as bad news as it is possible to get for a currency. But these are different times, paradigm : weaker the macros , stronger the currency .Hope GBPUSD closes below 1.2620 respecting sanity .

The key level still that separates from

getting bullish to bearish is still at 127.15 .
A close past 128.00 would settle the
debate in favour of bulls .

The mean reversion pundits still count for
oil to retrace but its a different paradigm.
Should test the previous highs in this run.
USDINR continues to stay in 77.50 77.80
range . Close past 77.64 (long awaited)
to ignite break on the upside.