

The key message from the markets in the last few weeks : its not a mean reverting market but its a market signalling regime change . Friday's inflation report will likely show that inflation is not easing just yet - however the odds of a recession in US are still low. Thats why good news is being treated as bad news for risk.

Selling in the bond market has been the key driver of market moves in the past few sessions- it appears it has more legs . Oil had rallied towards a three-month high after the Saudis delivered a large price increase to Asian customers for July. Despite the modest weakness thereafter , markets anticipate tighter oil market will last much longer than expected. 130.00 in brent appears easy objective this week.

It is clear the post-pandemic spending

bubble across the world has burst, with retailers facing tougher trading conditions, falling consumer confidence, and soaring inflation impacting consumers spending power.

USD Index as per script - 105.00 test soon.

There won't be much in Europe to shake things up today so expect the same push and pull - moreover markets cautious ahead of ECB on Thursday - roadmap key- **break of 12-day-old ascending trend line-1.0620** rising 21 dma support- break sets up 1.0340 test .

Rebellion against PM Johnson was larger-than-expected and may have weakened his position. Leadership election won't be needed after 211 Tory MPs voted for him, while 148 MPs voted against, shy of the

180 needed to sack the PM. GBPUSD survived just like PM but will find it hard to stay in saddle - remains pressured inside a one-week-old symmetrical triangle.

1.2480 break to see 1.2300 .

As long as the US Fed remains focused on fighting inflation and tightening, and the BOJ is focused on growth and stimulus, yield spreads are at risk to continue to widen, and that too should support the USDJPY in the process. Since the low on May 6th the yield is up 33 basis points while the USD to JPY 10 year spread is up 31 bp. Kuroda seems not so perturbed Blue sky to the next resistance, being 135.20 2002 high.

It is inexplicable to see the defence being mounted as if it is cyclical move. With there being no end in sight for the agony,

worth recalling Former Governor's words :

Failed intervention is no intervention.

77.50 77.80