

A light-news Tuesday gave the equity markets the breathing room it needed to mount aggressive rebound rally.-after back-to-back weeks of 5% declines, the markets have pushed the ball under the water far enough -that we're getting a bounce. But it is but obvious that after a massive monetary binge ,there is no possibility of a soft hangover.

**It's a packed agenda of Fed speakers today . With 67 of 91 analysts forecasting a 75bp in July., theme of speeches can't differ much from the by now familiar rhetoric.**

US existing home sales for May shows the housing market is cooling quickly.Chicago Fed National Activity index - an under appreciated indicator- showed a rapid

deterioration in activity. However Sales and employment components remained positive -does not help optimism that weaker trends for growth will change anytime soon.

More Europeans activate first stage of gas crisis plans.Surging gas price exacerbates inflation headache.EU is scrambling to find alternatives to Russian supplies while Brussels enforced sanctions that cut off Kaliningrad's rail link.Post-emergency ECB tightening of BTP-bund yield spreads has stalled near 2%-twice as wide as it was a year ago.EUR/USD struggles above 50% of 1.0774-1.0359 decline at 1.0566.

Weaker yen trend has the overwhelming influence on CNY.China warns of historic flooding in South-Will impact economic activity in those provinces- implications

are well known - Outlook positive on close above 23.6% Fibo 6.7179. Bollinger uptrend channel at 6.7363 will unleash bulls

BoE chief economist Pill has become important in the light of his recent comments : rate rises cannot fine-tune sterling- BoE isn't committed to being 'forceful'. He is set to speak on Friday- should see an implosion in GBP then. May CPI today is due to hit highs not seen since 1982. Obj : 1.2170 - 50 % of 1.1934-1.2405

USD/JPY traded to 136.71- verbal intervention to heat up. Recall pair had surged 22 yen from a base on 114. These moves have, however, been interspersed with decent retracements. Decisive break above 136.90-137.00 would target 139.95, (high Sep 98).

Regime shift still being seen as a episode by all stake holders - USDINR should show life above 78.10 into 78.30 especially as premiums slump lower - aggressive forward book unwind without taking into account the newer reality of outflows-cash dollar shortage ? Vicious cycle sounds too familiar.