

Key questions driving all the asset classes are: Should we expect a soft or a hard landing? And what's already priced in? Oversold sentiment has set the stage for a tactical bounce, but whether such a bounce is sustainable will depend on the answer to the soft versus hard landing debate.

Yields reversed intraday led by the long end, helped by a soft auction. Bond markets tells that they have taken the risk of a recession off the table and in its place refocused on the potential for Fed to successfully navigate a soft-landing. This resulted in habitual dollar sellers losing their appetite & Fed pivot theme went off the radar

However Risk appetite is wobbly but S&P futures picking up, +0.1%. Fed's Daly thinks

50bp Sept hike 'makes sense', 75bp possible. USD index should stay between 104.34, 61.8% of May-Jul rise & 21dma at 106.33 which leaves the market to lean toward the 'choppy summer trading' in this fortnight .

Energy prices made some headway on a better view of global growth - feeding back into rising inflation expectations in bond market. IEA boosted its '22 global demand growth projections by 380K bpd even as OPEC cut its own '22 demand growth forecast by ~260K bpd - pipeline and oil & gas field closures in the Gulf of Mexico due to leaks.

Little news, so EUR strength on short covering in thin summer markets. 1.0369, 50% of the May-July fall capped -Close below 21 dma at 1.0210 base in August

would set off the decline .

BoE - weakening regulators would undermine market reforms .Drought could be the next hurdle for UK economy
1.2185-1.2249 NY range could hold for now.

There may be more to USD/JPY's drop than meets the eye -There is a talk in the air that USD/JPY's recent plummet from near 140 towards 130 is suspect & might be the result of stealth intervention from semiofficial names .What makes covert selling more likely is the extent of dollar's drop compared other pairs. Higher long end UST yields provide USD/JPY support-
Nikkei +1.85%.USD/JPY trades within the usually resilient range 131.60-134.60.

Long week end - markets in no mood to

get serious with Conference bells ringing
after three years . 79.50 79.70.