

All the talk of the past week was about today's US CPI report - hype got certainly delivered. Core inflation was scorching hot, coming in double expectations. Putting a lid on escalating shelter costs is the linchpin to taming inflation. It's obvious that Fed would deliver a 75bp next week and two half-percentage-point hikes in November and December.

The initial reaction was to buy Dollar, the secondary reaction was to buy more dollar and the late-day reaction was to buy even more dollars.

Different measure of underlying inflation Cleveland Fed median CPI, accelerated in August, rising 0.7% m/m matching a series high reached in June. It's difficult to think today's PPI could have a greater impact

than the earthquake the CPI sent through financial markets.

ECB seen more hawkish in Oct but Fed even more so. EUR/USD dips early Asia to 0.9956. September 0.9864-1.0198 range appears a viable range into Sept 21.

PBOC fix at 6.9116 falls far short of most forecasts. Market expected 6.9500-6.9750, with/without CCF -This is a fresh record wide relative to estimates, -598 pips in USD/CNY terms. Defence ahead of 7.00 -yet to confirm any methodology tweak.

Downside bias returns, after yesterday's failure at 21 dma at 1.1673. Cable flirting with 1.1500 - that doesn't leave much room above 1.1405 cycle low last week UK inflation due today. Sell any rallies .

Invitation for buying USDJPY was sent out when BoJ announced they'll be buying 550bn yen of 5- to 10 year JGB today. -more than 500bn previously said .USD/JPY approached 145 - Masato Kanda (top currency official who has the authority to tell BOJ to intervene) came out in support of Yen - large option barriers at 145.00, defence ahead. Test maybe on hold till Europe. *Long-term : 147.62/153.01 (the 38.2% of fall from 1982 & high of 1998)*

"It can't happen to us" mindset - driven by perceptions and narratives - exaggerated optimism reigns Supreme - encouraged by \$120 bio defence - the shrinking liquid Dollar reserves in the context of increasing international liabilities - Longer the refusal to let the market determination , greater the agony for the economy as well as market players - 79.50 79.70.

