

Markets remain fixated on anything that involves inflation and most of the China headlines are leading many to believe the Fed hawks might indeed be proven right.

Ranges every where - The curious move on the day was the rout in the loonie, despite higher oil prices and good GDP data . M&A flows after RBC bought HSBC's Canadian operations for C\$13.5B.

Busy corporate issuance -- including a big Amazon deal -- fueled the rise in Treasury yields, offsetting downward pull of weaker German CPI & softer U.S. house prices & consumer confidence. 2-10 year-Treasury curve inversion narrowed to -74bp from last week's multi-decade 77.7 bp low.

Today : ADP, Jolts, pending homes pre beige book and Powell - obviously Friday

payroll & Dec. 13 CPI are key for Dec. 14 FOMC.

Oil's rally ran out of steam after reports that OPEC+ might end up keeping their output steady. JPM : "Despite more pessimistic balances over the next few months, Brent might average \$90/bbl in 2023 and \$98/bbl in 2024,"

Price action at around 10 dma at 1.0345
Support is at the 21-day MA at 1.0224 and
break increases downward momentum

China's air traffic has sunk down to 35% of what it was in 2019. Official Nov mfg PMI 48.0, Services 46.7 - deep contraction - however Yuan recovery continues- ignores China stocks- .buoyed by news China to ramp up vaccinations for elderly. Choppy trading in a wide 7.0500-7.2500 range

GBP consolidating its 17.7% recovery from mini-budget record low to 1.2153 peak just below 200-dma. Winter both in weather and economy .UK fresh food prices climb record 14.3% in Nov. Cost of living crisis: nurses strike first of many. Bailey : gilt market had not yet returned to normal. Only place for a directional trade .Under pressure 1.1955 (10dma) is key - break would test 1.1762(21 dma)

USDJPY broadly mirrors moves in US yields, currently up- still at recent core 137-142 range. **Oct prelim IP -2.6% m/m (exp -1.5%).**

Markets exuberant about Q2 GDP today - economy likely grew annual 6 % in Jul-Sept. However it's the Trade deficit that matters for Rupee . Correlation between

growth and non oil non gold imports strong .Cash appears to have been a month end aberration - but risk is structural. Monthly close above 81.67 to reinvigorate upside momentum .