

The debate about when Fed will have to go above 5% is starting on signs that consumers are holding up, or that excess savings remain. Timiraos - nowadays has more influence than Fed speakers- wrote that Fed 5% ceiling may have to be higher as a result of higher wages.

Headline non mfg ISM printed at 56.6, better than expected 53.3, while prices softened from 70.7 to 70.0. Employment component rebounded back to expansion territory. So Inflation will likely prove to be stickier with service part of the economy refusing to weaken.

However next year will be about a harder landing, stubborn inflation or both. It will be a tough environment to navigate.

Sustained break of 21 dma @ 106.63 in

USD index needed to end downside bias. Yesterday's 104.10 low then 103.41 mid June base set to be resilient .

Given the disparate state of U.S. and EZ economies, it would be reasonable to assume that Powell will be more upbeat than Lagarde. Support @ 10 dma 1.0434 and break would warn top is forming.

New nationwide COVID rules due as soon as tomorrow ? Burgeoning optimism - likely to be disappointed . USD/CNH broke 50% Fib 6.6178-7.3747, Sept. 14 & 19 daily lows. Slide extended in early NY, 6.9295 neared before meager bounce .Sept. 12 daily low, 61.8% 6.6178-7.3747 are the key supports which should ideally hold for 7.00

UK consumer spending fails to keep pace with inflation - spending with current wage

rises way behind inflation. Soft UK PMI, suggests economy will shrink in Q4. 1.2116 10 dma - a base on the close for this move, is key support.

Kuroda adamant premature to debate policy framework at this time. USD/JPY base may be in place now near 133.62 spike low pre-payroll. Market moving towards descending 200 hma at 137.41.

RBI rate decision tomorrow - 50 bps hike is baked in. Its not about global dollar and its all about erosion of carry amidst galloping trade deficit and capital outflows - but consensus strongly skewed towards rupee strength - though evidently there is little incentive to stay Dollar short- intervention supplies should resume to provide Dollar liquidity and shore up carry .Clear break now extends rally to 83.00; support 81.80.

