

Battle with inflation is far from over & Fed is yet to utter magic phrase “inflation has peaked”. Powell may continue to drum out a hawkish message, is there any one willing to listen ?

*Apart from a widely expected 50bp rate hike, FOMC is likely to talk of projected peak for Fed rate in 2023- median dot might rise 50bp to a new peak of 5-5.25%*

Away from hustle and bustle of FOMC, recent spurt in usage of Discount window is one issue that's worth watching - could possibly mean financial sector liquidity is running short- a sign funding pressures are building at the fringes . Still not seen as a risk - however today's weekly number merits attention .(For context, In Mar 2020, discount window borrowing was around

\$50 billion- that was less than half \$112 billion record in Oct 2008, during acute phase of GFC) .

Fed terminal rate tumbled from 4.96% to 4.86%, seen at 4.38% end 2023. USD Index fell more than a percent, well below Dec's 104.10 trend lows - above which a daily close should happen today or else give up.

2-yr Tsy-bund ylds now lowest since Jun. EUR gains backstopped by ECB tomorrow hiking at least 50bp and with guidance that supports markets betting on more than 140bp of increases before 2023 plateau. Support @ former resistance 1.0595. More support at 10dma at 1.0541 and 21 dma at 1.0444. Resistance @ 61.8 of the 2022 fall at 1.0743.

6.9300-7.0000 consolidation to continue;

downside momentum waning.

*UK CPI : Despite a continued rise in core and food inflation, negative base effects should see marginal reduction in headline from 11.1% to 11.0% in Nov.* BoE tomorrow, many side-lined. GBP/USD rose to 1.2443 - highest since Jun10 peak at 1.2515. GBP/USD should struggle to hold gains over 1.2434 peak BB

Muted reaction to a glum Tankan as mood of big manufacturers worsened. USD/JPY did as expected and completed a bearish outside day - Price action now drawn to 200 dma at 135.37. Resistance @ 21dma at 138.03 - which has held since early Nov

Global dollar & Fed stance no dominant drivers here - Erosion of carry and Trade deficit and hence demand outstripping

supply. Nov WPI today -exp 6.50%/y/y vs  
8.39%/y/y previous.82.55 82.75