

Markets can't shake off all the hawkish rhetoric that came from central banks last week. With Fed likely to deliver more hikes than markets are priced for and that recession in at least half of the world looks almost certain, there is likely to be a bout of renewed Dollar strength into early 2023.

In addition, more Fed hikes combined with ECB that is now set to deliver aggressively on rate hikes should result in further unsettled global financial markets.

There was a surprise reprieve for Oil as US announced *purchases* for the SPR starting in Feb. The 3 million barrels is a small but it would signal some support.

Friday PCE may spark some optimism if it misses 4.6% y/y. Nike numbers could provide insight into how strong Chinese

consumer is. USD index : 104.10 is key and as it holds , the festive fortnight can see 106.30

Rising European yields support while EZ recession fears cap. Flash PMIs showed EZ is stuck in contraction territory. German IFO significant this week - rest German PPI, EZ labour costs and EZ current account. Italy's finances will remain on the radar. Support 10 dma 1.0571- break to reiterate obvious

**Central Economic Work Conference results - economic support promised, but few details.** China's business confidence 48.1- lowest since Jan 2013. USDCNY ranged between 6.9539-7.0162 .

Strike action to dominate UK headlines over the festive period, with little else to

talk beyond cost-of-living crisis. Longs are on edges - 1.1960 obj- mimicks S&P. MPC dovish dissent to weigh on GBP. Dismal UK retail sales. GBP/USD hit a one-week low of 1.2122, two days after scaling six-month peak of 1.2446 - Pair to break with 200 dma at 1.2096.

BoJ meets this week - expected to keep rates on hold & dovish guidance. Weekend report suggests change to 2% inflation target once Kuroda leaves in Apr 23. USD/JPY volatile since Nov, falling from a peak of 142.25 on Nov 21-22 to 133.62 on Dec 2. It has attempted several bounces but 138.00 appears resilient. Support is at 200 dma at 135.66 - to hold .

Combination of Global slowdown and hawkish sounding DM central banks is obviously not a good news .Close above

82.80 has signalled 83.30 in the making .  
Intervention flows have been muted  
USDINR. Markets however complacent as  
implied vols show- to stay in 82.70 83.00  
range.