

The challenges that emerged in CY 2022 felt as if the world had gone back to the 1970s – Cold War era rivalries took center stage in geopolitics, inflation and high interest rates rattled the markets, and high energy prices returned.

As the new year begins , there is no sign of any of these factors changing - no light at the end of tunnel. Simply put, It's still going to be a daunting challenge to get inflation down as far as it needs to go.

(Fed had just completed 110 years of existence - Woodrow Wilson signed the Federal Reserve Act into law on Dec 23, 1913)

USD buoyant - 103.40/45 range low mid June held in December - Sustained break of 104.60 falling 21 dma would be positive.

It's all about the inflation story now for European policymakers. Not underscored ECB's hawkish stance. Higher EZ yields underpinning EURUSD while EZ economic concerns capping rallies. 21 dma @ 1.0574 & break would shift the pressure downside

China takes final steps to embrace living with Covid-reopening optimism blunted by demand fears. USD/CNH steady around Tues close- 6.9718 break supportive of 7.0282.

No significant news in GBP - EPL coverage leads headlines - marginally positive sign as Boxing day retail sales up 40 % y/y. Sustained Dec 21 1.2171 21 dma break bearish for 1.1634 38.2% Sep/Dec bounce.

EZ and U.S. yields both moving sharply

higher - yield spread to weigh on JPY.

Retail sales rose for a ninth consecutive month in Nov, buoyed by tourism. BOJ Core PCI, accelerated for a ninth straight month in Nov -2.9% y/y (Last week, Japan's Core CPI rose 3.7% y/y in Nov, highest level since 1981). USDJPY to stay in 133.43-134.15 range.

USDINR in the familiar zone - knocking the door at 82.88 - the month end expiry as well. Its obvious that it wont be allowed to end the year at historic high.