

Fed's reaction function, rightly or wrongly, will continue to be driven by assumption inflation is as entrenched as it was in 1970s. Their **steadfast commitment to not repeat the "stop and go" policy error of the Burns Fed in the 1970s is not yet priced**

But, at least, the data points to slowing in demand. However Slowing inflation has not been enough to offset slowing demand. Simply put *,Lot of good news is already in the price in terms of inflation moderation or potential for a soft landing -* So the developing narrative : Bad is news is a bad news.

Ten of 13 retailers saw December sales fall in while back-to-back declines in control group sales suggest a weak end to the year for goods spending. Likely to be

more weakness around as excess savings and recent real income gains fade and a **re-tightening of financial conditions follows** .

Dec IP in US fell 0.7 % more than expected decline -biggest monthly drop since Sep 21. Beige Book showed overall economic activity has remained relatively stable & expected little growth.(The one Fed district that saw 'significant' decline in activity was New York)

Incidentally ,Powell has tested positive for Covid.

Lagarde will provide fresh cues about the likely monetary policy action in Feb.

Tuesday EURUSD dipped to 1.0775 and yesterday it does 1.0767-1.0860.Rapid rebound to encourage markets to hold

longs perhaps add as well. Break below 1.0766 to ignite the down trend .

Recent GBP/USD strength has been predicated on a more hawkish BoE than that of Fed. Sterling is trading higher on , rallying to a new 2023 high at 1.2435. An opportunity is building up for a deeper decline should 1.2446 hold on the upside .

For the year as a whole, trade deficit is the highest ever at ¥19.97 tln. Takatoshi Ito, a contender to succeed Kuroda said : "BoJ's next step may be to widen band around its 10-year yield target," adding that yield cap to 0.75% or 1.0% by mid-year." Post-BOJ rally fades. The last hope is at 126.56 - 50% retrace of 101.18 to 151.94 (2020 to 2022).

Back and forth brutal moves within the

81.25 81.75 range .Better to stand aside
atleast till the flow recedes .