

Jan sell side Dollar bearish bets & retail euphoria in the last month just confirmed the long standing theory that there is clear correlation between excess speculation & major market peaks. Very few Dollar bulls of 2023 looked the most stupid lot ' have shown that they are right even if not so popularly acceptable .

517k rise in payrolls was more than double the 185k forecast - Dec and Nov revised significantly higher. The average workweek increased to 34.7 hours from 34.2, its highest since last March. **Clearly a tight labour market that proves Fed has more work to do -a big leg down coming when it has to deal with wage inflation.**

ISM non-mfg's dollar **bullish** surprises were business activity & new orders surging to

60.4 from 53.5 & 45.2, respectively. There's little until CPI on Feb 14. However Fed speak will resume tomorrow as Powell speaks in Washington & Barr discusses financial inclusion(!) . USD index next obj 103.29

Despite above-forecast EZ PPI & hawkish ECB speak (they seem set to lift rates again in May, not just March) , downside risks grow as payrolls highlight shifting Fed view. **Clear sell-on-rallies bias for the cross as medium-term drivers indicate that EUR is overvalued. 1.0830 to hold for 1.0690.**

Escalating geopolitical tensions between US & China over balloon incursions. FX space is relatively unaffected.

Cable down to 1.2040 from 1.2240, with

resurgent Fed expectations in the belly of Eurodollar strip pressuring further. sterling-positive rate advantage once priced in for 2024 -key source of pound's recent strength -has evaporated. BoE aware that monetary policy will not solve. GBP USD to test 200 dma 1.1957 & Jan 6 low at 1.842.

**CPI sustainable at 2%, accompanied by wage growth, has not yet been achieved: Kuroda . Amamiya is the front runner for being the successor for Kuroda- both share very similar if not identical views on BOJ policy . "Monster" had already set stage for USD rally. However USD/JPY slides- 132.60 to 131.69 after 3.3% rally from 128.34 low. Core range settles 130.00 -135.00**

Despite the sound and fury in the equity markets and the challenged credibility of

the institutions, broad undercurrent still is positive although The gap up open in USDINR should obviously be followed by muted trading - gradual acceptance of higher altitude- time to knock off range high at 83.00 on the upside is not far off .