

Somewhat lost amid the negative calendar-year 2022 numbers was a powerful risk rally from market lows in mid-Oct that has carried over into 2023. (10-year US yields have fallen by 77 bp since then, while the MSCI World Index is up by 16%, euro has gained 13% against USD).

It's commonly believed that Risk assets had become substantially oversold & expectations of "immaculate disinflation", or only limited recession. However, impulse in risk seems to have been driven by liquidity injection produced by depletion of US cash balance of Treasury at Fed between then & mid Jan.

Debt-ceiling machinations reverses that flow & early signs are emerging. Given how positioning has changed from oversold to overbought in the past four months, risk of

a downmove in risk is significant.

CPI next Tuesday next -Cleveland Fed's Nowcast model points to a rebound in core inflation to 0.5% m/m and consensus to 0.4% m/m - highest since Sept. Powell's talk with David Rubenstein didn't reveal anything new- Rhetoric from Fed suggests rate hikes will persist and may go higher than expected , which is likely to underpin dollar.

ECBWATCH prices a 50bp hike on Mar 16th at 48.88% - peak in July at 3.43%. EUR/USD rallied into positive territory- hit 1.0767 and then slid -bearish bias persists- risk grows for a much bigger drop to 1.0679 Fibo, 23.6% of 0.9528 to 1.1034 - daily **close below** will accelerate further into 2023 base at 1.0482.

China has declined a US request for phone call between US Defense Secretary Austin and Chinese Defense Minister Fenghe. Not a good optics. - so long 6.7400 in USDCNH does not give up ,the pair could rise to 6.8500, as high as 6.8800.

NIESR said the forecasts painted "an incredibly depressing picture"- living standards are set to stagnate after falling sharply last year.Sunak shuffled cabinet- Mixed reception to reorganization-1.1984, 76.4% of the 2023 rise held on the close - 1.1842 2023 base below.

Focus will be on list of BoJ nominees that is likely to be presented to parliament on 10 Feb - USDJPY suffered a setback from 132.71. Still likely to **break above** key 133.05 Fibon once gap filled- (Gap opened up between Fri 131.20 high & Mon131.52

low). Range 131.00- 133.00

MPC 's token gesture & it's anticipated pause are of little relevance .USDINR set for 82.65 -82.85 for now - high probability of breaking past 83.00 hurdle sooner or later .