

When the economy is slowing down and financing costs are rising, all these implicit or explicit carry trades are pressured to unwind, leading to an end of cycle. We are just witnessing that ..

Buying longer-term higher-yielding bonds & funding with short-term funds doesn't work with steep yield curve inversion and hence pressure on price of the long-term yielding asset. So the risk assets which are built on that premise are set to stay under pressure.

One such carry trade gets backstopped. Depositors have been assured that their money is safe, irrespective of how much they had & at which bank they had. But share holders are not convinced .

Key assumption continues to be that SVB

issue should not distract Fed from pursuing on its inflation mandate and hence US inflation outlook will become main driver of Dollar. However yield curve is un-inverting a breakneck speed. 2s30s shoot higher. Sign of market worrying about inflation once again if Fed puts hikes on pause ?

SVB debacle has fuelled USD scarcity once again (eg, when looking at Libor-OIS and cross-currency basis swap spreads) . So it's not prudent to bet against Dollar at this moment irrespective of what Fed does .

EUR/USD outlook **bearish below 38.2 fibo** at 1.0718. Convinced of downside as it is strongly resisted 50% of 1.1034/1.0524 move at 1.0779. Support 1.0622 & 1.0542.

USD/CNY largely fluctuated between 6.86

and 6.98 in the past three weeks. While US yield decline can be seen as Yuan positive, the context matters. China battling to stabilise its property market, talk of a recovery is premature - Global unwind of carry trades does not augur well for that as well. 6.8800 supports for 7.00 test .

UK jobs/earnings data today ; ILO jobless rate f/c 3.8% - hardly matters .GBP USD still looks fragile below 1.2155.

Early 1990s comparison worth pondering : USD/JPY peaked at over 150 in April 1990, before falling to 120 as rates fell to 3% & kept on going, falling below 80 in 1995. Are we set to repeat ? Unlikely as the dynamics are different and the Dollar scarcity is telling difference . Stay aside .

Drying up capital flows - Intervention

**offers to soften the upmove .USDINR
breaks above 82.10 and sets off on a
course till 82.55 .**