

Sell in May seasonal sentiment could not wait for the month to begin in earnest - Banking woes and debt ceiling drama amidst a FOMC decision - you cant ask for more drama than this ...

1. Banking turmoil appears it is not going away anytime soon - market ready to focus on the next weakest link, potentially distressed banks with exposure to commercial real estate.

2. Markets dont want to be complascent anymore about the debt-ceiling deadline after Yellen gave June 1 as the x-date. Just for context, simple breach of the debt ceiling will halt 10% of US economic activity and would literally melt the bones .Yields on 3-month T-bills are now the highest relative to 2-year rates since 1981.

3. Powell is put in a *damned if you do, damned if you don't* sort of situation .The dollar gained some decent ground yesterday but is giving some of that back for now, with yen in a good position amid the drag on bond yields.

If the Fed decides to raise interest rates by 25 bps, it could send regional banks reeling once again. But at the same time, if they decide not to raise interest rates at all, it could be a situation where markets see it as being a case of "the Fed knows something that we don't". And in that instance, it isn't a good thing as perhaps things are much worse once you uncover the sheets.

Fed will prefer to leave the door open to more tightening on paper, by switching its

language from “some additional policy firming **may** be appropriate” to “additional policy firming **may yet** be appropriate

EURUSD has a rather overstretched long positioning, amounting to 21% of open interest, more than twice its two-year standard deviation and not far from its five-year high (27%). ECB to fall short of the market’s hawkish pricing. 1.0950 - 1.1050

GBPUSD been struggling to keep upside momentum - the price action has become slow and choppy. Fed may not have a sizeable impact here .

135.86 Fibo is a 23.6% retrace of the 129.65 to 137.78 rise. So long above this pivot, USDJPY keeps the bias on the upside

USDINR continues to stay confined to the

range - not knowing which way to go - the negative global headwinds to eventually prevail over euphoric domestic sentiment if history of such divergences is set to repeat.