

After reaching a peak of 9.1% y/y in June 2022, CPI slowed in US over the past few months, falling below 5% y/y in Apr. Proxies and leading indicators suggest downward normalization and hence markets are so confident that Fed will skip.

Although it can be jarring , **most disruptive outcome for FX market would be rate hike tomorrow.** CPI could still show sticky underlying inflation, which would pressure Fed to say that even as it skips hikes aren't yet done. (Core hasn't printed below 0.3% since Aug 2021 -this month is expected at +0.4%)

Besides the obvious , there's always an argument for factoring what inflation will be in the next six months - that's the question FOMC is wrestling with -as stock

market hits a 52-week high, they're likely to conclude that more needs to be done.

Oil has become a favourite short as the market doesn't appear like it will get tight anytime soon - China's weak recovery won't be improving anytime soon & more crude demand destruction to occur in rest of the world as well & Russia continues to sell more oil to China and India.

Softening economic data dents ECB's ability to push rates above their 2023 top. EUR/USD support 10dma 1.0730 - **close below** would be **bearish**. Strong resistance is at 1.0805/15.100 dma at 1.0806 & 38.2 of 1.1096/1.0635 is at 1.0811

**Fears of slower growth in China intensify -** rapidly worsening exports, broadening property distress and ongoing disinflation-

**PBOC cuts 7-day Repo Rate to 1.9%**- round of deposit rate cuts imply MLF rate cut tomorrow. USDCNY trying to scale 7.1470 for next objective 7.1750.

GBP longs pared ahead of employment/earnings today. Hard for BoE to fine-tune end of rate-tightening: BoE's Mann.

Support : Mon low 1.2487, 10 dma 1.2476, Jun 8 low 1.2438.

Early drop and rebound followed the lead of Treasury yields- second straight session rebound off 21 dma at 139.04. Ranged 139.00 139.70 before a break higher

Lower oil & weaker CNY offset each other insofar as Trade account goes - declining carry continues to be negative for capital account - 82.40 stays well in tact .

