The past month in FX markets has been characterised by moves in relative rates driving spot markets - however resultant negative impact of higher rates (on less resilient economies) is yet to be realised as a factor by the markets.

While US economy can continue to shrug off the rate rises - (Just see NAHB number yesterday) - there is very little confidence in the economies in the other side of Atlantic. Today's Focus shifts on Fed - Bullard and Williams are never shy of expressing opinions- they are set to speak before the main act tomorrow when Powell begins his testimony to Congress.

In 2008, the EU & US economies were of roughly the same size.In 2022,US economy grew to $25 trillion compared to $19.8 trillion for the EU and UK combined.US is

50% larger than EU without UK.The only sectors where Europe is currently leading in are lifestyle brands & tourism - stronger currency means that global demand for these sectors will dissipate. Hence its prudent to maintain bias for lower EUR/USD based on relative terms of trade, real rates and relative unit labour costs.

Euro soft despite higher European yields and possibly the second order impact of rising rates is having an impact.European 1.0908 low & Yesterday's 1.0946 Asian high to contain for now . Massive move in EUR GBP to be corrected for sure and hence some stability in EUR around 1.0910.

Blinken-Xi handshake just a headline- no market impact .China finds itself stuck between a rock and a hard place. It’s taken on trillions in debt in hopes of building up a consumer-driven economy. So all these monetary stimulus may hardly have impact- so CNY depreciation is the only course. 7.1300 solidifying as strong support .

Of all the major economies desperately trying to get a grip on inflation while delivering a soft landing, UK looks least likely to achieve it.On the pullback the 10-week moving average at 1.2579, our target with a stop above 200 week MA

McDonald's Japan hikes prices by 6% to help absorb higher rents and labour costs. So inflation calling for sure but BOJ more worried about the debt levels .(Japan is about 5 years away from 1000% debt to GDP). Usual Jaw boning when USDJPY touched 142.20 but carry trade interest is too strong now - break sets up 144.10.

USDINR climbs past 82.00- upswing towards 82.80 in progress with so many road blocks along the way.