

In the bigger picture ,U.S. financial markets are "prematurely" shaking off concerns about economy and inflation, while deteriorating economies weigh down both Europe and China.

The soft print in UK reignites the optimism that the inflation has topped out. However major concern should be about the extent to which inflation is becoming embedded in global economy and will linger for years to come. (Economists polled by IFO expect global inflation to avg 7% in 2023, before slightly easing to 6% in 2024. The avg expectation of 4.9% for the long term until 2026 is still high).

If interest rates end up persistently higher than is widely anticipated, it would mean a down side (yes ..you read it right) ahead

for stock and bond markets & pressure to rein in fiscal deficits. Possibly 4575 in S&P defines the sentiment - close above shuts out bears atleast till year end whereas a struggle to go past should be seen end of the insanity .

PBOC slammed fix (Reference rate hit with huge hammer) and adjustment of cross-border financing parameter-**both steps** counterproductive to efforts to revive the economy .**No doubt, any** Consumption-stimulus is antithetical to Chinese economic model- hence they tend to "enact" "solutions" which might result in very little impact .

PBoC raised macro-prudential adjustment parameter for companies & financial institutions' cross-border financing to 1.5 from 1.25 - with the current paradigm of

highly expensive global capital ,only casino economies (not even safe havens) would attract capital.

Total US housing starts declined sharply during June, partially reversing May's robust gain - some momentum lost .

Central bank gazing **ahead of next Week's FOMC & ECB - hence EUR/USD in range.** Eurozone CPI rose 5.5% y/y in June, Core CPI rose 5.5% y/y.Stournaras highlights easing Eurozone inflation, criticizes more restrictive policy. Decline should atleast test 1.1145 as 1.1227 holds

Markets currently see 38% chance of half-point hike from BoE on Aug.GBP USD moved as per script - dont ever forget a biblical rule that weaker economy won't have a sustainably stronger currency- With

inflation & rate expectations falling, recent longs likely to have exited - key Fib 1.2868 & 30-dma at 1.2780 in focus- **close below 1.2824 38.2% of May/July rise bearish.**

Japanese govt forecasts big bump to inflation forecast - timing is something to be wary about. However this forecast or CPI tom will not sway BoJ into tweaking its policy stance. As FX volatility remains low throughout summer, expect USDJPY to drift higher. For now 141.00 is gettable.

USDINR continues to yawn in a world of its own. Slumping carry and Trade deficit dynamics overwhelmed by the euphoria
82.00 82.20