

This week is a big one, with rate decisions from Fed, ECB and BOJ along with a busy week of earnings and preliminary PMIs

Pattern of contractionary Manufacturing Sector and expansionary Services Sector has been the theme of this broader global business cycle - what is probably delaying recession could be the Services Sector as it is less sensitive to rate hikes and more sensitive to the pace of consumption.

On a closer look, Broad inflation tends to track discretionary retail spending as a % of personal income. Recent decline in inflation matches up with reduced spending relative to income. That means something is going to break anytime soon.

Even if the market makes it out of July 25 bp unscathed, there's always August, and

ofcourse Jackson hole- remember last time ...

For "academic" interest , lets record some statistics - Fed's balance sheet has now contracted -7.0% y/y- the largest y/y contraction since Sept 2019. Some perspective on how much balance sheet expanded in 2020-21: it's still \$4.1 trillion higher than where it ended 2019 (S& P 500 is now 2% higher than where it was when Fed's balance sheet peaked in April 2022)

Spanish election - Incumbent PM Sánchez poised to remain prime minister. With ECB hawks' tone changing a bit and doves finally out of their nest, **Close sub 1.1096**, April/May range high ends upside bias.

NDRC to boost private investment in construction projects- simple logic : same

medicine if used multiple times does not work. Renewed concerns over liquidity as seen in Country Garden. 7.1400 holding for 7.4400.

Sunak commits to building 1 million new homes before the election-big call that will be popular if achieved. **Close below** under pressure 1.2824, 38.2% May/July rise would be **bearish**.

Big mover on Friday USDJPY- presumable BOJ leak to Reuters that BOJ isn't planning to change YCC this week. 61.8% of June-July plunge at 142.08 is the next key hurdle

USDINR stands still - don't see this logjam ending as the majority expects - mind you, markets always tend to punish wide consensus - seasonally tough period of August coming up as well.

