

Before any heads up on the markets ,its worth noting that Timiraos has a piece in WSJ -he clearly conveys the message that's it way to early to think the rate hike coming from FOMC tomorrow is going to final one.Treasury yields have already decided that FOMC will be hawkish.

On balance, the Fed and ECB outcomes in next two days should be similar. Markets, however, are barely pricing in any Fed hike after July while for ECB, they are pricing in 15bp by Sept & 20bp by December. Could turn out to be the other way in reality ..

June US Chicago Fed national activity index is useful barometer of the economic landscape - declines sharply m/m from May to June **-0.32 vs -0.15** - 7th negative reading in last 9 months- it highlights that

manufacturing is in a recession but that the rest of the economy hasn't followed, at least not yet.

Spanish elections show a divided political landscape with no clear winner, raising the possibility of new elections. Ongoing political uncertainty is casting a shadow over rest of Europe as well.

Flash PMIs signal recession - happening when they spend hundreds of billions of Euros in "Next Generation EU" fund supposed to drive higher growth. ECB's well-telegraphed 25bp hike would not – unlike recent instances – come with a commitment to another hike at next meeting .Germany's Ifo will add more detail on the German situation.**Close below** 21 dma @1.1031 and 38.2% May July rise would be **bearish**. 5 dma @

1.1117 to hold well.

New home sales in China's 50 major cities expected to slide more than 30% on year in July – research. Politburo pledges support for economy - plenty of vague promises already -both PBoC and HKMA are battling every session .Have an eye on HKD - peg has survived 40 years though the times are different - 7.1400 in USDCNY in tact .

BOEWATCH 25 bp Aug 3 hike at 65%, 50 bp 35% rates to peak at 5.87% in Feb 24. UK economy is very brittle now - higher for longer pricing and flash PMIs suggests a significant slowdown .**Close below** under pressure 1.2824, 38.2% May/July rise would be **bearish for first obj**1.2726, 50% May/July rise.

Strong conviction -there won't be any shift

in YCC - USDJPY Subdued around 141.00 -
remains below 21 dma at 141.86 last, that
capped Fri.

Not withstanding the downmove in
USDINR breaking below 81.85 , would
expect the pair to bottom out here and
scale back higher into 82.00 zone ., doing
the usual round trip towards 82.80.

