

Sign of times: On Aug. 6, 2011, the S&P downgrade the day before dominated the upper-right quadrant of New York Times front page. In yesterday's edition, the Fitch downgrade didn't make A1 at all.

Fitch is not the reason for risk meltdown as is widely and wrongly believed. Its a Weird move - more of an embarrassment and a bad look .After all, market for Treasuries is among the most scrutinized in the world, forming the bedrock of the global financial system for a reason.

Yet another upside surprise in ADP doesn't necessarily mean payrolls tomorrow will be strong but certainly is an indication US economy is still too resilient for Fed to be done with raising rates. Today's services PMI and Weekly jobless to reiterate that .

Equities can't ignore what is happening at bond front as Treasury yields surge after Treasury had to increase the size of their planned quarterly sale of longer-term debt for the first time in over 2 ½ years.

Panetta is speaking on disinflation today .
So expect EUR to be sold once he begins
EUR/USD broke the July 10 & 28 lows, hit a 1-month low of 1.0913- rebound less convincing - sharp decline in the cards

Caixin Services PMI at 54.1. Interestingly, Data shows household debt hit 63.5 % of GDP in Q2 up from 61.9%. IMF red line at 65 % -Excessive debt & slow income growth constrain consumption whereas policy targets domestic demand - less likely to work - Currency depreciation only course.

BOE MPC could be a tricky one - data and projections support a 25 bps- there is risk of follow up June's 50bps with another one of same size. Recession fears to mount if they do 50 bp taking currency to cleaners - obj: 1.2680 NY low & 1.2627, 61.8% May/ July rise .

As JGB yields rise, logic is that Japanese investors have less reason to go overseas & hence global yields normally drift higher. So its obvious Flexible YCC removes the anchor for global Bond yields. However Daisy Chain back today as BoJ intervenes to buy unlimited amount of 5 to 10 year JGBs - guaranteed yen weakness but Matsuno says watching FX moves closely- 145.07 beckons

Seasonals work in USDINR - August is a

tough month historically for Rupee- life time highs normally made in this month - not even into the first week of August , USDINR knocks the door at 82.80 which would open given the dynamics - 83.30 might be the next hurdle .