

Moody's downgrades US banks, warns of possible cuts to others- You don't need a rating agency to tell that its raining.

The week's auctions started off with solid demand for the \$40 billion 3-year note sale which stopped 5s and shorter tenors from slipping to fresh lows, while 10s and 30s continued trimming their gains into the close. \$40 bln bid-to-cover ratio (2.90x) and indirect takedown (74%) were above average.

US Tradedata show pandemic-era dynamics have continued to normalize. -booming demand for goods & services has waned . For context, Trade deficit widened to its largest ever in Mar 2022 (\$102 bio) as imports surged at the peak consumer spending wave & soaring inflation.

Strong home price appreciation in the years following the pandemic may be an underappreciated tailwind for household sector.

An interesting insight (the asymmetric impact of rate differentials on a currency) is that GBP peaked above USD 2 in 2007, when UK rates were higher than US by 3%. When GBP/USD reached 1.3100 last month, UK rates were almost 2% above U.S. rates - markets tell us that the rate differential needed to push sterling above 1.30 today is far wider than it was fifteen years ago.

Italy's bank tax may be anything but "one off"- Intesa Sanpaolo saw its net profit jump 80 % to €4.2 bio in the first half, while UniCredit posted a half-yearly profit

of €4.4 bio. While Italy 's right wing Govt is contemplating , left leaning Spain has already introduced a similar tax on banks scheduled for 2023 and 2024 - drawing criticism from the ECB. So When it comes to taxation - there is no ideology ..

Meloni's blunt instrument evokes discord
Reeling Italian markets wipe out \$10 billion from bank stocks - Some wonder why Italian economy doesn't ever grow ?
1.0950 done . Now 1.0913 break awaited.

If there is one thing that markets should not underestimate, it is the influence and impact of China on global economy- domestic demand is even feeling rather dead in the water over there now. What is worse is that deflation pressures come up now in China, as evident by latest CPI .

NIESR says UK inflation will exceed BoE target for the next 4 years- Wage growth to hold 6% - 60% chance of recession - that it would take until Q3 of 2024 for UK output to return to its pre-pandemic peak. Throw elections & inflation in a recession. Deep slump ahead .NY 1.2685-1.2752 range for now.

The fact that BOJ had been intervening to mitigate the rising cost of debt caused by a marginal shift in interest rates starkly underscores enormity of the current debt problem. JGB drops to the lowest levels in eight days to 0.58% now -victory declared 141.50 - 143.50 consolidation

Pegged exchange rates limit uncertainty and lower real interest rates. Eliminating an important adjustment mechanism by having a fixed exchange rates or this

81.80 82.80 model increases protectionist pressure, distorts price signals in economy, & prevents efficient allocation of resources.