

Fastest pace of rate hikes in a generation temporarily slowed activity in the service sector, but ISM Services Index rose to a six-month high to 54.5 - prices-paid rose for second-straight month & forward-looking new orders blistering 57.5. Solid evidence that road to 2% inflation is going to be bumpy.

There are doubts as to how sustainable this will be, but rise in inflation component will keep hawks in play even if they do indeed go with the majority & vote for pause in two weeks. Something will break eventually, but so far it hasn't - path of least resistance therefore remains one for a higher for longer

Oil is getting harder to ignore, both as a macro factor and for its own sake. There is a view that core inflation could fall faster

as more of family budget goes to fuel.

Fed's latest Beige Book was however bit downbeat -Pandemic era savings are running out, credit card rates north of 20% & job market no longer white-hot as it was.

There are six Fed speakers today -you should thank your stars if at least one of them sounds dovish .

ECB policymakers starting to break ranks- Knot pushed back on the idea that ECB will stay on sidelines. **Kazimir said preferable option would be to hike rates by 25 bp next week. However bears hold control of EURUSD. Clear break below 1.0700 targets May 31 low at 1.0635.**

Weekly column on China from Nakazawa said Xi's absence at G20 was because he

was censured at a Beidaihe by party elders
If it is "true" , it would mean that Xi is under
real pressure. Pressure mounts for 7.35 to
get broken - the long term obj at 7.4400
should be the next .

Bailey & other MPC members flagged less
worried on inflation - sounded like repeat
but dovish tone got attention.BoE releases
decision maker panel survey.Dovish BoE
shift puts Mar 8 2023 low by 1.1805 in
focus. For now, below 200 dma, set for
test of May 2023 lows just above 1.23.

**Nakagawa says its appropriate to maintain
easy monetary policy.**Nothing to indicate
any interest to back away from loose
policy.Spread between US and Japan has
been, and continues to be, a driver of USD/
JPY.Kanda's rhetoric- not to be seen as
intervention signal. 150.00 right around the

corner .

Markets as usual in denial mode- however
Priorities at Mint street seem to have
shifted this week -not withstanding G 20-
Ability of USDINR to stay above 83.00
without inhibition indicates clear skies
beyond 83.30 .