

US economic resilient story could hold up as manufacturing activity stabilizes (**Aug industrial production +0.4% vs +0.1% exp**) but worries about inflation haunt as the oil consolidates higher and concerns the AI trade was too optimistically priced

Global oil demand is on track to grow at 2.1mb/d in 2023, an estimate backed up by OPEC and IEA. Both warned that the oil market would shift into a significant deficit through year-end - *subsequent drawdown in inventories in Q4 leaves the oil markets exposed to price spikes.*

It's prudent to expect a hawkish hold from the Fed this week but virtually every other major central bank that's meeting this week is expected to follow in ECB's footsteps and hike rates 25 bp - includes BoE, SNB Norges Bank, Riksbank, with

exceptions being BoJ and SARB. Just to add flavour, Turkey central bank on Thursday might hike rates 500 bp to 30.0%.

Final HICP inflation data will be of interest tomorrow - end of the week Flash PMIs for EZ - Germany & France important. Elusive growth & stubborn inflation and hence weak currency. **Shortcovering rally to halt at 1.0688 .Break below 1.0635 to result in 1.0517**

Risk of a deflationary spiral in China has abated by one notch. Week's focus on 1-year and 5-year loan prime rate rates that might remain unchanged at 3.45% and 4.2% respectively. Markets absorbing the news that Shenzhen police had detained some Evergrande staff

Pivotal week for UK, with Aug inflation on

Wed - Headline CPI seen rising to 7.1% – driven by energy prices as elsewhere – & core falling slightly to 6.8%. Given both wage growth and services inflation – the two key metrics upon which BoE is basing policy – are higher than forecasted back in August., 25 bp on 21 Sept is a done deal. **UK data this morning - Rightmove House Price Index +0.4% m/m (prior -1.9%).** Bears target 1.2370 June 1 low, 1.2308 May 25 low, then 1.2193 55-WMA.

Japan holiday. Friday range 147.95-147.35., set to hold for today as well. Dont rule out test of 161.8% off this week's base 148.74

USDINR stirred by Trade deficit - stronger currency may help build narratives but in reality causes merchandise trade deficit to go through roof - no immediate respite - with low carry and high trade deficit in the

midst of strong global dollar , the answer is to either hike the rates to prevent overheat or let currency weaken - but Frankenstein 's monster equities wont let either happen and hence using reserves the easier option -the rubber band is too stretched - bubbles build - 83.10 83.30

