

Conflicts rarely ripple through markets in the way in which we expect- typically the first wave of volatility fades fast as the shock wears off but there is likelihood of second wave which comes back with more lasting intensity.

Although there are *Risks of wider regional conflagration*, Current hostilities in the Middle East have been met with relatively calm market reaction thus far. *Positive equity market* seems illogical, but they are often a very perverse beast .Despite this "benign" reaction, financial markets are still seen struggling to assess how this geopolitical risk would unfold & potentially impact inflation trend.

Fed could even call off but markets would continue to call shots - .While markets are more assured that rates have peaked, the

deluge of supplies to still make it tough to read the room in its entirety. So It makes sense to call this small downmove in yields corrective- Premature celebrations of the demise of the dollar and yield top were seen many times in the recent past .

NFIB headline index dropped a little further, and is at 90.8, down from 91.3. If you ignore downward pandemic spike in 2020, you have to go back a long way (March 2013) to find weaker reading. For reference, the series low was 81.55 during GFC -the high in 2018 at 108.8.

PPI data before tomorrow's CPI data. While PPI isn't as impactful as consumer prices, it is still one to watch just in case the bond market decides to act up again as it has in recent weeks.

FOMC minutes today needs to be put in the context of the discussion that was happening back then, when bond yields had not risen quite so much.

Market pricing no more ECB rate hikes but more importantly, nearly 60% odds of a cut in April that becomes fully priced in for June 6, due to deep recession. This is very euro-negative, to state obvious. Besides , pressure from Italian bond market is mounting - widening gap in 10-year BTP-Bund spread (+207bp) - EUR can't rally howsoever market wants -Sell rallies with stop 1.0635.

China fiscal stimulus rumours.

Minutes of the financial policy meeting show household finances remain under pressure from rising interest rates.**GBP/**

USD catches a bid - sets a two-week high.
Hard to see anyone dollar bullish . 1.2300
is too rich .

*Reports suggest the BOJ may raise its
FY23 core inflation forecast to around 3%;*
BOJ liftoff expectations have been pushed
out from last week. 148.16 should hold .

Market determination of exchange rate is
seen as means for efficient allocation of
capital. In the name of arresting volatility ,
the arteries are getting choked .No trading
strategy ever succeeds second time.