

Market always looks at probabilities, not possibilities. So while larger conflict is still possible, the markets think the probability remains of one turning global remains low. Hence the Risk-off tone- that has been permeating the markets- seems to be dissipating.

Latest quarterly survey by WSJ , business and academic economists lowered the probability of a recession within the next year, from 54% on average in July to a more optimistic 48%.

Harker (a voting member) reiterated Fed has done enough (he said the same on Friday). Now focus on Powell on Thursday.

NY manufacturing index fell back into

contractionary territory at -4.6 vs +1.9  
Retail sales :Credit card delinquencies on  
rise & resumption of student loan  
repayments in Sept - so it should be softer.

Since Fed stopped reinvesting securities  
on its balance sheet in June of last year,  
Fed's assets have shrunk by roughly \$1  
trillion to \$7.9 trillion at present. If this can  
create a explosive rally in yields , what's  
set to happen when assets shrink by next  
\$1 trillion - QT does work ..

Fiscal risks more of a market focus.It is  
not Germany's or France's debt levels that  
should be used to assess Euro, but Italy's  
fiscal situation and now, Deficit-hiking  
2024 budget - ominous sign of one more  
debt crisis & ECB to come to rescue. Gas  
prices , Recession , Conflicts in the  
neighbourhood , middle east tension -You

cant expect EUR to go higher howsoever  
strong USD bear you are . 1.0448 looming

While there have been incipient signs of  
stabilization, economic activity remains  
lackluster with several pressure points.  
**Country Garden's entire offshore debt to be  
in default if Tuesday payment not made-  
lesson for all the leveraged borrowers  
across EM.**

Sustained bearish phase for GBP, driven by  
medium-term risks - reliance on external  
financing makes it vulnerable to shifts in  
risk perception. Add fiscal woes .Whoever  
wins next election will face a budget bind  
-IFS think-tank. Below cycle high seen on  
Oct11 at 1.2337, the initial obj at 1.2038.  
(Truncated labour market data today, due  
to falling response rates to the LFS survey).

Its unusual for Suzuki to have not much to say- he said that **he has no comment on factors determining weak yen. Stationed at 149.50 for now.**

Maturing sell buy swap of \$5 bio creating panic - in as much almost \$5 bio per week is handed out per week regularly at 83.25 , this should not be a major deterrent for cash dollar liquidity.