

In an inflationary crisis, it's always believed that Governments should turn fiscally frugal even as their borrowing costs rise multifold. However, the modern day Governments have conveniently forgotten the basic & continued to borrow at record pace fuelling the debt bubble which in turn drives inflation higher - no respite till we break the glass.

For instance, U.S. national debt soared by \$550 billion in less than a month. Total debt was \$31.4 trillion in July and soared to \$33.5 trillion in less than four months. This happened while 10-y yield rose from 3.7% to 4.6%.

Surprisingly, Latest Chicago Fed Financial Conditions through Friday Oct 13 to the loosest levels since early Mar 2022, before Fed started hiking rates. So far, higher

bond yields do not appear to be having much impact on financial conditions.

FOMC enters its blackout period.(does that matter ?) .Sept PCE Friday. Consensus sees headline at 3.4% y/y vs. 3.5% in August and core at 3.7% y/y vs. 3.9%.

From the conflict in the Middle East and suspected pipeline sabotage in Finland to a potential continental “Arctic Blast” coming this winter, there is a cacophony of threats to Europe’s energy supply which has a cascading impact on every aspect of life . While there are still a handful of hawkish holdouts, most ECB policymakers have acknowledged that tightening cycle is over.Add Italian debt to the mix.Decisive 1.0550 break elusive still.

There’s still significant uncertainty around

from sustainability of declining inflation – which Bailey claimed will fall sharply in October – to high wages, weak retail sales & potential economic drag. Current trend low 1.2038 remains the initial key support.

As macro headwinds show no respite , obvious scope for additional positioning for yen weakness. No intervention for sure Baby steps towards 151.94. 149.72-150.14 range for now

Dogmatic central banks never have won a battle howsoever strong arsenal they have had . Pragmatism is what saves the day although not preferred .If "exchange rate stability" is defined as a situation where nobody is thinking too much about the exchange rate ,it is but obvious that USDINR has reached opposite Extreme.

