

As the Treasury markets consolidate last week's position squeeze, it is lacking top tier data to reset- on paper they are waiting for Supply and Powell to speak - Powell today and tomorrow might carry more weight after Waller's earthquake analogy .

However , the harsh fact is that Fed is shrinking its portfolio of Govt securities at a \$720 billion annual pace, thus making Treasury's job of funding near-\$2 trillion federal deficit harder.. that too in the context of more unpredictable inflation in real time and over time.

Over a period of time, Fed's portfolio runoff will place downward pressure on bank reserves - could force more bank hedging and unrealised losses for banks and resultant higher bond yields - makings of a vicious cycle.

At stake is the threat of surging borrowing costs ushering a harder landing for the economy, an outcome that would imperil risk assets - bankruptcies & Delinquencies show harder landing cannot be ruled out

1. In the first nine months of CY 2023, business bankruptcies totaled 17,051, up 30% compared with same period in 2022,-- pileup shows real-world consequences of the end of the free-money era. (WeWork, the SoftBank Group-backed start-up that was once a darling of Silicon Valley valued at \$47bn , has filed for bankruptcy)

2. At the household level, credit card delinquencies continue to rise from their historical lows seen during the pandemic - have now surpassed pre-pandemic levels.

ECB's Nagel: Wage growth and decreasing labour supply will keep up pressure on inflation. Support at 55 dma at 1.0647 and 10 dma at 1.0634'. **break below** would suggest upside momentum has stalled

China's FX reserves fell by \$43.2bn in Q3 according to the latest BOP. Gold reserve rose by \$4.8bn, so PBOC spent some \$38bn in intervention - small change - but a currency in SDR basket can't be seen risking credibility for long .

Think tank urges Hunt to invest in the economy- a sign of desperate times . Pill talks 2024 rate cuts, GBP becomes more sensitive to weak data. BoE's dovish reaction function emerges -market sees 75bps of cuts in 2024. Bailey today at Dublin. Downmove on way to 1.2264 NY low- 1.2223 10 dma - 1.2201 21dma .

Japan wage & household spending data didn't hasten BoJ normalization view as Ueda "finds" No statistical evidence that interest rate levels have direct correlation with wage moves. They just can't abandon this YCC - load up USDJPY Longs - New found 150.00 152.00 range to stay in tact.

Markets have become numb- famous saying "when a central bank wins the battle, the economy loses the war" - Even those dyed in the wool rupee bulls are not seen reacting to Oil price decline -

