

This week will see build up to the Fed , ECB BoE and SNB rate decisions - important Treasury auctions will also be relevant.

The experiences of the past episodes show that if inflation drops faster without an accompanying rise in labour market slack, the inflation risks are more tilted to the upside. *Volatility* of inflation is a tell that the oscillations still have a way to go before dampening back to equilibrium

Hence It's pretty obvious that Fed will not want to endorse the market pricing of significant rate cuts as November jobs report showed there is sizzle in the labour market. The most bullish scenario for the dollar is when Fed doesn't even adjust its median projection for 2024.

Fiscal is something which should not be

lost sight of as Wall street sell side analysts publish dovish stories and try to shore up their business- just a fact that **US will need to refinance \$7 trillion of maturities in declining broad money economy** - massive vacuum effect, a giant liquidity drain that hardly justifies multiple expansions and bullish sentiment for risky assets .

It will be difficult for EZ or Euro to recover unless Germany recovers from its current malaise. **A close below** tested 1.0732, 50% of Oct/Nov rise would be **bearish**.

China of 2020s is similar to Europe of 2010s - low inflation & low growth - Growth projected to slow to 4% in '24-'25, averaging 3.8% through '30 - hence currency to stay weak despite the tonnes of money in the chest and drag rest of Asians as well .

BoE expected to deliver a hawkish hold this week. A **close below 1.2467**, 38.2% of the Oct/Nov rise would be **bearish**. **For now, to be contained within NY 1.2504 low and London's 1.2587 high.**

Exceptional rally in yen was the story in FX but **with reduced bets for an imminent shift in the BoJ's policy shift, pair is back to being normal.**(USD/JPY normally shows up initial weakness due to expectations of BoJ policy changes, followed by extended periods of JPY weakness when these expectations are not met). This pattern to continue into 2024. Takan Wed, branch managers' meeting in mid-Jan among key events for BOJ. Break above Fri range high 145.22 **bullish for 146.76**

Market determined currency & resultant efficiency in allocation of capital shows the confidence of authorities in the macros of the economy - Strangled exchange rate policy does not add up to the story .USDINR stays nestled within the usual five paisa range .