

Words and numbers are the tools of the trade in currency forecasting , and it is an occupational hazard of the dismal science to get carried away with both these tools very frequently . That's why Ernest Hemingway guides all the market analysts with his famous one liner : **Show the readers everything, tell them nothing.”-**

However , This is that time of the year everyone gives their views for next year - no one reads it though - let's also do it...

1. Growth : Something in between a soft landing and a very mild recession is the base case, but there remains a one in five chance of something much nastier. To put numbers to support the case , there have been three hike cycles which have finished

with the curve at a similar level of inversion in the past .On average the subsequent curve steepening was 215bps. **This would equate to UST10 yield @ 4.9%. I am sure you are dismissive .**

2. Equities : The equities have followed the 30 year average to the perfection - USD index from June has also followed the price action seen from 2017 onwards -As the year draws to a close, long dollar positioning isn't extreme and is still a way from the highs in 2016 and 2022- suggests dollar still might have room to at least test the 2023 highs in 2024.This would fit with the typical seasonality of the dollar.

3. Inflation : Pandemic-era supply chain kinks have markets looking around every corner for a repeat - that is why Panama Canal grabbed so much attention earlier

-why the Suez is doing so now. Over the year, we will have plenty of factors - Inflation is a tooth paste - once it's out, it can't go inside - that's 1970s experience

IFO showed recession risk remains high, not only for 2023 but for 2024, too. 1.1017 Nov high and 1.1080, 76.4% of 2023 fall likely resilient.

GBP USD shows potential 1.2500-1.2800 holiday range. Last week's 1.2793 high then 1.2883, 76.4% July/Oct fall to hold .

Cleanest shirt in the town is USDJPY .By hesitating for long, BOJ is resigned to let USDJPY fly .Potential repeat of 2023 in next year - 147 plus close for the year means 170 in reckoning .

IMF has re classified exchange rate regime

- previous experiences of some EMs with this kind of "active gaming" policy show resultant FC debt splurge by residents.