

The peace deal is a constructive step forward, but market sentiment remains firmly grounded, explicitly avoiding euphoria. While any deal is better than continued hostilities, the next crisis clearly lies in how both sides interpret the agreement.

It seems it was a lot easier to close Hormuz than it has been to open it. Analysts estimate energy flows through Hormuz may not return to 80% of prewar levels until Sept while normalization could take considerably longer. So the dominant analytical theme has moved towards inflation .

Hence the overall reaction function of rates to the oil prices is settling at a higher level. The 10yr yield is holding in 4.45% area, where it has tended to hover in recent weeks. 10yr real yield is just above 2%, which is a restrictive valuation -does not augur well for risk seeking capital.

By all counts , it appears that Global economy has entered a structurally more shock-prone environment with persistently higher inflation and higher long term yields. But there has been a growing disconnect globally between how markets interpret inflation and how consumers experience it. History shows markets tend to follow consumer and not the other way .

Not good optics from June Empire state mfg index fell to 5.7 from 19.6. Prices paid/received elevated while new orders & shipments saw much slower growth. A warning sign that there is a pressure in the overall national economy .

EZ industrial production logged marginal rise of 0.1% m/m in April. EU trade balance shifts from €7.3bn surplus to € 7.1bn deficit as imports surged 10.1% y/y and exports rose 3.2% y/y. Mainly , EU's trade deficit with China reaches record €1bn a day. Another trade war brewing ? -stagflationary shock in EZ . EURUSD resisted at 1.1633 and heading to 1.1500

China's May industrial output beat expectations at 4.5% on soaring exports. Retail sales fell 0.6% despite Labour Day holiday, suggests household spending remains cautious amid an uncertain job market. Adding to concerns is 16.2 % y/y fall in real estate investment during Jan -May period. AI is lifting the boat - how long ?

All eyes on Makerfield- Challenges to Starmer are a major concern due to worries that it may result in a more free-spending govt. Buying GBP downside for the week is possibly the best idea.

BoJ lifted rates to levels not seen since 1995. BOJ was buying about ¥6 trillion of bonds each month prior to the tapering, but it outlined a plan to reduce its purchases by around ¥400 billion per quarter. Uchida's comments are awaited. LDP continuing to focus on whether to

cut the sales tax on food to zero. No respite from expansionary fiscal and higher rates and weaker yen. 160.72 to break for 162.00

Goods trade deficit rose to \$28.21 billion in May. Importantly, Goods exports rose to an all-time high \$45.20 billion - occasion to cheer despite most of it is led by Price growth. Quiet range between 94.45 94.85 range evolving