

Markets continue trading the probability of resolution well before resolution - effectively betting that escalation risk remains low and an off-ramp will emerge as both sides have not closed the door for further talks and that US open-ended ceasefire holds. Neither it can be dubbed as complacency nor called as full conviction –

Everything is fine... until you look at oil prices - the Underappreciated risk is that even if Hormuz fully reopens, flows may not simply revert.- history and outcome of the Red Sea crisis prove this. There needs to be an understanding that shipping is not governed by physical access alone, but by risk perception. Once that perception shifts, as is now the case in Hormuz, the system behaves differently.

Simple arithmetic says that Shortages and elevated prices for oil and other goods are likely to continue for months., especially when Gulf crude production is down 14.5 mb/d. The current paradigm in oil prices might be due to the fact IEA led SPR release is underway, with U.S. distributing almost 80 million barrels. In the meanwhile, Exports of US crude have climbed by a third to record 5.2 mb/d.

Busy week for major central banks. The first phase of this crisis is clearly inflationary because the cost of fuel, food, freight, and utilities rise. As the war drags on, the risk is that the energy prices will continue to stay high - and inflation expectations will move upwards.

When exactly this happens will not be clear, leaving policymakers to judge for themselves. For now, An “on hold” decision looks like a no-brainer - Time is on their side, but perhaps not for long. The longer they don’t hike rates, the more likely it is that those inflation expectations start creeping up. Having been too slow to react in 2022, the last thing they want is to make the same mistake twice. By contrast, if the tightening is perceived as too aggressive with respect outlook, then long-term interest rates would rise less– potentially flattening or inverting the yield curve on expectation of a recession,

April FOMC meeting will mark Powell’s final one at the helm. The Senate banking committee set to approve Warsh’s nomination on Wed for a floor vote in the coming weeks.(Senator Thom Tillis dropped his blockade over the weekend)

EURUSD :The deputy finance ministers from the EU meet in Athens today to discuss how to cushion the economic fallout without plunging it into a debt crisis. All focus is on signals. We expect Lagarde to leave the door open for summer hikes in order to keep inflation expectations anchored, but at the same time not pre-commit to hikes. 1.1680 has to give way for 1.1550

Chinese exports of solar technology, batteries and electric vehicles all reached record highs in March. Industrial profits in March jumped 15.8% y/y. In Q1, enterprise profits expanded 15.5% y/y. AI and semiconductor boom drove outsized profit growth

GBPUSD balances upbeat retail sales data against a backdrop of persistent inflationary pressure. BOE is widely expected to keep policy rate at 3.75% for a third straight meeting. rate hike bets are too rich in our view given excess slack in the economy  
1.3475 break was fleeting - 1.3475- 1.3525 range

Inflation is running hot and broadening across the economy. Govt intervention is masking the true scale of the problem and complicating tomorrow's rate decision. Ueda will attend by phone due to health reasons. When the boss is not there in room, you will tend to kick the can down the road. Thursday month-end, importer demand likely to be dominant. To stay above 159.17.

USDINR in the steady range between 94.00- 94.50