

Another day of no fighting, no deal and no energy flows, another day that pressure on inflation and supply chains continues to build.

Markets almost stopped trading the headlines and the geopolitical narrative continues to be seen as an irritant on the screen. This current equilibrium appears less sustainable and the market is no longer in a phase where it can ignore the consequences indefinitely. The calm is not comfort, it is compression.

Post GFC, there is a long held theory that the markets would care to shake off their "all crisis resolve by itself" belief only when the financial channel gets adverse and till then physical realities don't shake their buy the dip philosophy.

UAE request for a USD swap line - essentially a loan in USD collateralized by AED - signals early-stage financial stress across Gulf economies. Likely to impact US Treasuries if they choose to pull off the trigger to stay liquid.

Physical Discomfort from closure of the Strait is slowly amplifying. The reality consists of an ongoing energy shortage and badly broken supply chains, which are only getting worse with each passing day.

Front-month Brent is holding above \$100, and the forward curve is now being dragged higher with it. The adjustment is not cosmetic. The oil balance is being repriced in real time, with expectations now shifting toward a structurally tighter system.

Rates are already starting to reflect that tension. The long end is drifting higher with crude, while the short end remains relatively anchored. That is an inflation premium creeping back into the curve. The US 10yr break-even inflation rate is edging towards 2.5% and if it were to break above, it would be a problem. The dollar is following that lead.

ECB will still have to present a strong message that a rate hike is on the table if it does not choose to hike on Thursday. Any sign that they are looking through inflation spike and treating it as 'transitory' could see the euro punished. Upside limited to 1.1721

Moody's revised China's outlook to "stable" from "negative", citing resilient economic and fiscal strength - they added that export growth is likely to moderate, but China's competitiveness should cushion the slowdown - GDP growth to ease only gradually.

Starmer to involve BoE in meeting of emergency Cobra committee today on the economic fallout from Iran war. Case for GBP underperformance is clearer from a pure terms of trade angle.

BoJ held rates steady - Katayama said that the economy is rebounding moderately with sustained wage growth momentum. Tokyo fix demand rumoured to be pretty large. 160.00 break in the vicinity

Solidity around base at 94.00 -What next if the well guarded resistance at 94.50 breaks ? -