

Global Market update 26.09.24

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Markets are still searching for a catalyst to drive price action post Fed and they have still failed to find one. Fed speak post FOMC has become less relevant - more of dovish rhetoric - risk of losing their credibility - ending up taking little bite out of markets.

Equity and Gold markets defy gravity - so many theories - but simple thumb rule is that whenever these two markets get exuberant, they tend to get really exuberant.

The something else – not to beat a dead horse again – is the change in the quantity of money, which has followed a very similar pattern in every major economy in the last five. Suppose the money supply went up 400%, - prices quintupled as well, Would you expect asset prices to decline in nominal terms? Hence no correlation between USD and these markets in this cycle.

The curve bear steepened once more, for the 6th day in a row - markets continuing to stay concerned over FOMC easing too much, too soon, as the long-end bears the brunt of the market's ire. For that reason, markets will remain hyperfocused on data.

EUR/USD : Efforts to reflate China helped EURUSD as did the soft US consumer confidence. However main concerns centre around Germany - won't see that enough for an October cut. EUR/CHF could sell off today if SNB does a 25bp today. This week's 1.1084 low, then 1.1068 base should break

USD/CNY : Beijing has made a plethora of monetary policy measures this week to try and bolster economic activity and that is lifting the sentiment. But China can no longer 'squeeze out the toothpaste' - too small, relative to annual household consumption in China of 49 trillion yuan. Far from enough to arrest the downturn.

GBP/USD : UK hits dubious milestone (Debt to GDP of 100 %) for the first time since 1961. (UK however has a long history of carrying a lot of debt- equally long history of growing out of it - all-time high of 252% in 1946). In this backdrop drop, prospect of a strong GBP does not look tenable - moreso when the growth is anemic. Greene prefers a cautious approach. Car production fell for sixth month. Close below yesterday's 1.3314 low strong bearish signal. So long below 1.3410 0.786% 2021/22 fall, would stay bearish with first obj 1.3193 (21 dma)

USDJPY uptrend as expected - post China stimulus, looks unlikely BOJ could hike - Ueda not in a rush to raise rates - minutes paid lip service to inflation - Strong demand for short-dated options that cover LDP elections. On a close above 145.55, would revisit Sept high of 147.20.