

As expected, the global markets have taken the Venezuela in stride. Beyond this early reaction, a new regime in Venezuela and control and interest in oil looks like the latest move in the power struggle between East and West.

Markets normally experience “liquidity” like they experience weather. They do not see it directly, but feel it in the air. Fed’s SRF Drops to Zero yesterday from \$75 bio- this sharp decline supports the idea that it was seasonal Fed’s weekly balance sheet (Thur) to show a drop in total assets- USD supportive.

In this backdrop, US equities do not need a new story everyday - US equity markets on a tear and not surprisingly Venezuelan bonds were also bullish.

ISM mfg ended 2025 at its lowest reading- marked the tenth-straight month signaling contraction. While tariffs are not headline topic anymore, it still is a major drag. The most uncomfortable part is Prices at 58.5, unchanged & rising for 15 consecutive months.

As usual, Markets remain fixated on Friday Payroll - however there is a sea change in this cycle, as growth decouples from hiring - the economy is in a new era driven by productivity gains- hence Q3 U.S. labor productivity data on Thursday would be more relevant.

Focus is on whether Dutch pension funds will start paying longer-dated EUR swap rates. 10-30 year EUR swap curve had steepened a lot in anticipation. Technically, an aggressive drop in three-month cross currency swaps leads to EURUSD decline, a tendency that continued in 2025. Break below 1.1680 would abort this rally.

Sentiment on USDCNY took a diametrically opposite road in 2025. Now markets talk about how far CNY would appreciate - this stance is presumably to help imports & support domestic consumption. PBoC’s countercyclical factor has turned negative, indicating daily fixings are counteracting pace of appreciation. PMIs show recent measures adding a bit to momentum.

CBI’s snapshot revealed a broad-based downturn across the private sector. Nov Credit card borrowing rose at fastest annual rate. Below 1.3535, looks set for 38.2% of 1.3039-1.3533 at 1.3344.

Japan hopes 2026 will live up to its namesake as the Year of the Fire Horse - one of positive energy and vitality. BOJ data shows monetary base contracted in 2025 for the first time in 18 years. Close above 156.43 to make it resilient.

Range trade between 89.50- 90.50 seems to emerge as the central scenario for now.

