

Thiagu's Blog Global Market Outlook-12 Nov 20

Positive vaccine headlines continue to have an outsized effect on the sentiment whereas rising caseloads in Northern Hemisphere, China's ban on Victorian timber logs and US warning over Hong Kong crackdown weigh on risk.

Powell, Lagarde and Bailey speaking today at ECB forum. With Fiscal policy alone mattering for the markets, the monetary authorities hardly make any impact.

Trump continues uphill legal struggle to overturn Biden win but the markets are not concerned. Dollar currently moving with risk, as the safe haven impact subsides. 93.21, 50% of Nov fall capped yesterday and now key .92.98, 38.2% of Wed rise a range base. Dollar could strengthen if expectations resulting from fading pandemic economic restrictions in 2021 and less likelihood of massive deficit spending -- survive difficult winter virus.

It is indeed a surprise that EUR/USD has remained flat since Oct. 29, unlike 2015 when it had fallen by over 4% after ECB pre-announcement in Oct. Yesterday Lagarde said ECB would focus on more emergency easing measures in next meeting. EUR/USD support is at 61.8 of 1.1602/1.1920 move at 1.1723 - break there to see 1.1600.

China's Oct bank loans fell more than expected Tepid risk appetite may keep USD/CNY steady; Bollinger downtrend channel maintained on close below 6.6302.

Market optimistic of a last minute deal, but key EU, UK Brexit issues remain. Irish Foreign Minister Simon Coveney's guarded comments on EU-UK trade talks. Flat after closing off 0.4% on broad based USD strength, but uptrend intact. 1.3300 break would open the door to 1.3481 September high and for now 1.3205 to support dips.

Japan's core machinery orders fell for the first time in three months in September and at faster than expected pace. BoJ 's Adachi flags risk of bankruptcies. Moody's projects Japan debt to GDP will hit 230% in 2020 from 206% in 2019. USDJPY capped at 105.68 overnight, 105.64 Monday.

USDINR continues to stay well supported with no letup expected - encounter to 74.53 as expected with 74.20 becoming resilient with each passing day.