

Thiagu's Blog Global Market Outlook-23 Nov 20

Vaccine optimism offsets rising virus toll; U.S. policy vacuum weighs. Ranges narrow on lack of catalysts as both positives and negatives remain evenly balanced.

Risk supportive news include Vaccine hopes (Regeneron's anti-body treatment gets FDA's go) and Biden announcing first of Cabinet announcements tomorrow

Risk negatives include potential for further pandemic fiscal relief being muddled both U.S. & Europe and derailing the global recovery. Relief plan is being held up by Poland and Hungary in Europe whereas, further fiscal relief in US vacillated. It is the Treasury- Fed standoff that is seen as the key negative.

Last Monday's S&P rally on the Moderna vaccine news couldn't reach the previous Monday's record high, leading to lower highs since Monday, and a steadying of the dollar. Hence today's vaccine news may have marginal impact.

Thanksgiving holiday will shorten the U.S. work week, but there is significant data crammed in. Major U.S. data this week includes consumer confidence, core PCE price index, durable goods, UoM consumer sentiment and new home sales. 92.20 continues to be important support and as that holds, the upside remains probable.

Flash PMIs and German Ifo are the key data to watch this week besides German Q3 GDP and EZ consumer confidence. EUR USD failed between 1.1890/1.1900 for the third time in four days. Long EUR/USD positions may lose patience and start paring back in the absence of any fresh EUR-positive news. Support at 10dma 1.1837- break targets 21-dma at 1.1793.

China's faster economic recovery, better control of pandemic boost yuan. China's next move will be an interest rate hike. 6.5400 6.5700 to stay for now with limited downside for USDCNY.

North Asia has, in general, been handling the COVID-19 outbreak so much better and hence South Korea's average exports per working day +7.6% y/y need not represent the global economic trends.

Confidential notes seen by Sky News reveal EU officials think a Brexit deal is 95% agreed. Boris expected to speak to European Commission head this week. Positive vibes- Markets pushed back expectations of UK rates turning negative .1.3279 to support for 1.3481.

Japan is closed today and Tokyo CPI is the only data of note this week. SD/JPY's downtrend has stalled above Wednesday's 103.555 low. 103.18 and March 12's 103.10 pullback low are key supports - break to see Mar 10 low at 102.02 before 2020's 101.18 low. 104.22 to negate.

Continuing to stay well supported at 74.10 as expected. Gloomy Q2 growth data this week to be shrugged off. Close above 74.26 to validate probable upside.