

## **Thiagu's Blog-Indian Equity Market analysis-16 Nov 20**

Vaccine optimism and strong economic data from China and Japan and weekend trade deal outshone worries about rising virus cases - fear of extensive lockdowns in Europe and US.

One of the largest free trade deals in history was signed by 15 Asia Pacific countries - First deal that brings together China, Japan and South Korea which could add \$200bn annually to global economy.

However, political concerns still linger as Trump appears to be digging in for drawn-out transition to Biden. Axios reports that Trump plans a flurry of aggressive policy moves against China in these 10 weeks

Dollar reverts back dynamics of the past eight months and eases as risk buoyant. However, rising yield spreads to anchor Renewed US-China trade war escalation emerging as another key headwind - 93.21 strong resistance - might break this week.

ECB set to announce new policies in Dec - recent rhetoric is getting increasingly cautious-possible massive Euro-negative accommodation. Hence Downside risk. Moreover, German-U.S. spreads are widening again, increasing dollar's yield advantage. 1.1860 to hold for 1.1720.

China backed RCEP deal; yuan positive. However, wave of state-owned enterprise defaults in China has spooked sentiment.

China Oct industrial o/p +6.9% y/y, above forecast +6.5%. Retail sales rise 4.3% but miss expected 4.9%. USD/CNH retreats second day to 6.5775 from Fri 6.5935 - to fade further to 6.5590 base of downtrend channel from where another rally to 6.6430.

Brexit end game this week - breakthrough needed. Turmoil in PM's inner circle may result in compromise. Rally reversal near 76.4% Fib could mean recent correction is over -Bears looking to sell rallies.1.3283 upper 21-day BB & last week's 1.3322 high resistance. Below 1.3074/75 - 21 dma & 38.2% Sep-Nov rise to be bearish

Ten-year Treasury-JGB yield spreads have backed off Monday's 7-1/2-month highs  
Japan Q3 GDP +5.0% q/q, +21.4% annual, better than +4.4%, +18.9% exp. Output gap remains, activity half pre-COVID time. That said, economy picking up and stimulus package to give boost. 104.65 to hold for one more up move 105.65.

Pattern continues to revolve around the basic premise: stronger the flows, stronger the bid. The range 73.85 74.85 well defined. USDINR to consolidate amid 74.40-60 in thin holiday conditions.