

Thiagu's Blog Global Market Outlook-16 Nov 20

The combination of the election outcome and a workable vaccine boosted financial markets. The positive news flow on vaccine triggered the wave of hope and optimism that a medical solution will address the health crisis and accelerate the economic recovery.

The encouraging vaccine news is consistent with the consensus view that the economic recovery will be sustainable heading into and through 2021

However, COVID-19- second wave is in full swing in the northern Hemisphere. Restrictions have been reinstated but it is expected that it might have less of an overall economic impact than the spring lockdowns. But the virus has always surprised in the last Nine months.

The Central bank balance sheets of Developed markets have come under the market's scrutiny and it is increasingly evident that a larger central bank balance sheet normally implies tougher economic course - the example being BoJ 's size and the track record of Japanese economy

EM balance sheet expansion possibly is leading to similar outcome of fragile growth The coincidence in their QE programmes is that none of them have any definitive planned size. The sustainability of the debt and the inflation are the main concerns with some of them scoring relatively poor across these two matrices.