

## **Thiagu's Blog Global Market Outlook-18 Nov 20**

Continuing pandemic damage, dwindling hopes for any fiscal relief before Jan 20 and weak US retail sales - the sentiment has faltered for now and it may take more than vaccine news to rejuvenate. (Positive vaccine news is more of mid-2021).

Powell said it was not time to shut down programmes - but extension requires Treasury's approval - a tough ask given the disruption and chaos in transition. YCC move in Dec 15 -16 FOMC?

Weak US data: Output well below its pre-pandemic level. Disappointing Retail sales very weak- could slow further, on declining household income.

USD index is close to this month low at 92.13 - runs the risk of closing below the uptrend line from 2011 and 2014 lows near 92.20 on a weekly basis for first time. However, Dollar had yesterday showed its poise reverted to back to being negatively correlated to equities - pullback firmed up Dollar- 92.20 could hold.

COVID-19 sweeps across Europe - France surpass 2 million. EZ is its first double-dip recession in a decade - necessitates resolving EU budget impasse - looks less likely. EZ bond yields showed little reaction. EUR/USD - signs of bull fatigue with 1.1830 break signaling decline till 1.1745.

USD/CNY 6.5607- Touch of short-covering seen with risk of 6.65 on close abv 6.5850.

Brexit roulette table spins. Cable tests 1.3271-76.4% Fibo of 1.3322 (Nov 11) to 1.3108 (Nov 12 low) after building on gains from 1.3195 on reports EU-UK deal might be agreed next week. Very much factored in. Sell the news type market brewing. Sell rallies with stop at 1.3271

US 10-year Treasury-JGB yields spreads are slipping from last week's vaccine news driven 8-month highs. Japan trade data shows that Imports are a horror show but exports improved. SD/JPY retraced more than 61.8% of its recent 103.18-105.68 rebound. Sub-104.43 close targets 76.4% Fibo and Nov. 6 high at 103.77.

USDINR broadly as expected. Base built at 74.35 for test of 74.85. One year forward premium at 3.11 - highest in six weeks- conveys the message with clarity.