

## Thiagu's Blog Global Market Outlook-01 Dec 20

December begins with PMI which should indicate buoyancy in recovery momentum across EM - however sustainability is the pertinent question.

There were some swings around Brexit and OPEC but nothing definitive on either front. OPEC moved its meeting to Dec 3 and Eurozone is talking about Thursday as deadline for no-deal contingencies- Turbulent Thursday for sure.

In a big relief, Fed and Treasury agreed to extend four emergency facilities. Housing and mfg data indicate that the recovery is slowing. USD Index 91.73 is holding nervously. Cyber Monday to see \$12.7 billion in online sales, surpassing Black Friday's digital sales.

The most successful monetary policy maker PBOC Governor Yi Gang said: Separating Govt Finances from central bank avoids debt monetization and CB balance sheet should not bear credit risk

EUR upside matters a lot for ECB and expect some verbal intervention. EUR/USD may have just enjoyed its best month since July, but its inability to clear Sept 1.2014 peak indicates vulnerability. EUR/USD support at the 10-day MA @ 1.1897 with hourly resistance @ 1.1960.

Strong Q4 China data trumps. Caixin Nov mfg PMI 54.9 vs forecast 53.5, Oct 53.6. Highest since Nov 2010 (55.3), new orders, output at 10-year high. Follows unexpectedly strong Nov NBS mfg PMI, at >3-year high. CNY had longest monthly winning run in 6 years - however 6.6030 break to trigger upside test 6.6450

Scant Brexit progress but markets still expect a deal - there seems to be little trust at the talks- even if a deal is made - EU/UK relations will be strained. Sixth consecutive trading day in which GBP/USD has topped out pre-1.3400- 10dma 1.3323 holds - sustained break to be neutral.

Slew of mixed data could keep BoJ on hold. Nov and early yesterday saw Nikkei 26,834 high, best since 27,092 in Apr '91. Above 27,270 - Mar 91 peak - nothing above on monthly chart till 31,371 in Aug 1990. Nikkei rises have been of late very supportive of USD/JPY now - 103.84 to 104.41 yesterday. Resistance above from 104.76 high 24 Nov & 104.88 des 55-dma.

USDINR: GDP contracts 7.5% in Jul-Sept vs 23.9% in Apr-June. RBI MPC this week- might raise GDP and Inflation forecasts. Well defined floor for now. 73.90 74.10.