

Thiagu's Blog Global Market Outlook-03 Dec 20

It's just that the market doesn't care about the current state of economy - it's all about SH 2021 now and post-vaccine era. Hence the markets need to continue to hear good news about liquidity support as well as vaccine - so long they are assured, the reflation trades continue

Two deals in Brexit & U.S. fiscal. Neither assured, but big downside if Brexit deal doesn't happen. However, the dominant theme remains the EUR/USD break above the Sept highs & general decline in Dollar.

US China tensions continue to simmer: Biden says will not kill Phase 1 China trade deal immediately. US House passes bill that could delist Chinese companies from US stock exchanges. U.S. bans cotton imports from Xinjiang region. China could retaliate but markets least concerned.

OPEC+ to conclude today - to define policy for 2021 after an initial round failed to bring a compromise. Without a deal being reached, current plan is for output to be hiked from January 1 by 1.9mbpd.

Beige book showed definite slowdown in the real economy. ADP US November employment +307K vs +440K expected - downside risks for payrolls? USD index precariously placed - deeper losses in store if 91.73 not regained.

Euro has shown remarkable resilience to virus as well as negative inflation. Above 1.2100 - 3.32% gain for Q4. Lane reminded the markets that more instruments could be discussed at 10 Dec ECB meeting. Who cares? Strong bullish setup targets 1.2556

Caixin Nov services PMI 57.8, highest since June, Oct 56.8. Internals very strong Withdrawal of stimulus amid corporate defaults the next policy challenge. Still expect 6.6030 test by weekly close.

As always in Brexit saga, outcome are mixed, but time is running out. BBC was emphatic Brexit deal could be done in the next few days. UK's vaccine approval is supportive ceteris paribus. Cable stuck below Sept 1.3481 peak- bias higher as 1.3354 10 dma holds on close.

USD/JPY scooted up to 104.75 before falling back: Break above 104.76 needed to avert a third straight inside week - stuck in middle of Nov's 103.18-5.68. Now ranged 104.44-49 resistance at 104.86 55-DMA.

USDINR: Bounced back sharply to close at 73.80. Possible outflow today and hence 73.65 73.95 range to hold. One year premium at Rs.3.24, highest since Aug 27 - vicious circle - so other instruments tom?