

Thiagu's Blog Global Market Outlook-04 Dec 20

It was about deal making with OPEC, Brexit and US stimulus all on the table.

OPEC made a deal to bring back 500k bpd of production in Jan, Feb and March - more bearish than what was expected. There were positive murmurs about US fiscal deal earlier in the week but right now, the odds appear against it. Brexit talks -usual mixed signals & little progress.

However, it was yet another day of dollar selloff - not even a risk trade, but it has been constant dollar selling with no dips.

Weekly Jobless fell but at elevated levels.

ISM & Markit services PMI in completely different paths. ISM at the lowest since May - Markit at the highest since 2015.

Payroll today. Nov NFP eyed at +469k, Oct +638k. Severity of virus resurgence implies larger labor market impact - increase in household employment and a pause in the labor force participation rebound. Weaker dollar below 91.73 without respite.

EZ inflation expectations add to EUR/USD's buoyancy. 5-y/5-y inflation linked swap rally is threatening 1.25/1.26%, the break could add fuel to EUR's rise. Faces a minor impediment with resistance in the 1.2210 but 1.2500/50 test likely despite risk from Dec. 10 ECB.

Trump's administration has issued rules to restrict travel to US by members of CCP and their families. SD/CNH leaning lower still. A close past 6.5520 to signal pause in down move. Break of 6.5000 less likely.

Sterling surged to highest in 2 years - a move driven by indefatigable Brexit deal optimism, USD's slide but cable restrains from reaching 2019's 1.3516 peak binary outcome- if Brexit goes bust, look for a quick trip down to 1.30 - if the deal gets done 38.2% Fibo of 2014-20 @1.3621.

If USDJPY breaks last week's 103.685 low, string of four higher weekly lows will also have been broken, signaling resumption of the downtrend since March. Nov 103.18 low would be back in play. Quick climb above 104.22 needed to avert.

USDINR stayed firm as expected and would continue to be so - despite the global rout of Dollar. 73.75 73.95 - RBI to leave rates on hold - stance towards surplus liquidity in focus.