

Thiagu's Blog Global Market Outlook-08 Dec 20

Markets weigh impact of expanding virus spread against the positive vaccine effects. Nasdaq hit a record high, while Dow and S&P slipped. Treasury yields retreated, commodities mixed and dollar little changed.

Headlines from Brexit negotiations to have significance. Clock is ticking with most suggesting that Wednesday is D-day for a deal or no deal. The risk of no deal is clear in GBP-related markets, where implied volatility and GBP put premiums are reaching

Indecisive price action in EUR/USD over the last three sessions after Nov. 4 - Dec. 4 rally. If Brexit negotiations fail, it's unlikely Euro would emerge unscathed. Event risks loom large this week. Close below 1.2038 10dma to negate upside bias.

China's rapid recovery will continue to cap the rallies in USDCNY. Nov exports rise @ fastest pace since Feb2018 - stronger currency not an impediment only if the growth is strong - lesson for rest of Asia and EM. In the past seven months, USD/CNH has dropped almost 10%. Trade-weighted dollar fell 6.75% between May and December. 6.5560 to resist up side.

There were still "significant differences" on fishing, level playing field and governance -- the same issues that have dogged Brexit negotiations for months. Boris Johnson is traveling to Brussels for crisis talks. Steady slide in sterling is the theme so far as gaps might have widened. Cable's rebound from 1.3225 session low suggests some still see a deal as doable. But sharp decline till 1.2800 below 1.3300 more likely.

Fiscal stimulus elicits little response- slew of better data: Q3 GDP revised to +5.3% q/q, +22.9%, prelim +5.0%, +21.4%. USD/JPY doing little 103.96-104.09. Resist 104.21.

USDINR as per script. Base strong at 73.75 and a close above 74.10 tgts 74.40, 74.80 Nov highs.