

Thiagu's Blog Global Market Outlook-09 Dec 20

Brexit end game, ECB rate decision and EU Summit all later this week with the rolling headline risk of Brexit talks. However, current low-key positive tone to stay in tact

There is a broad realization that economic data in the coming days is set to worsen as cumulative case load in US exceeds 15 million and there has been no respite in Europe as well.

Pelosi and Schumer say Mnuchin's \$916b aid plan unacceptable. (proposal starts by cutting unemployment insurance proposal from \$180 billion to \$40 billion)

Biggest story of morning is about China CPI which moved into deflationary zone for the first time since Oct 2009 - reflation consensus theme for 2021 is at risk. China has avoided the brunt of the pandemic but retail spending has been surprisingly soft and now prices are negative.

If this sustains any further, the negative implications for rest of the world - hence there is a likelihood that long-term cycle for USD strength has been probably just delayed. This could be a corrective phase where weak currencies with vulnerable fundamentals appear to outperform those with better fundamental resilience.

EUR has paid little heed to EU's budget issues but a protracted battle would eventually become difficult to ignore.

Brexit spillover risk is playing its part, but price action reflects range expectations and fading topside optimism. Close below 1.2056 -10dma needed to negate.

USDCNY Supported by demand ahead of 6.5000 -perception decline overextended
Recovers from low of 6.5280 as impetus lacking to extend drop. All positives priced and still looking for a bounce past 6.5560.

Talk of a 'no deal' Brexit grows as deadline looms -Talk of tumultuous final British split as Johnson said that Moment might come to declare game over. Deepening the gloom, Irish PM says breakthrough needed in 48 hours to avoid 'no deal'. 1.3210 38.2% of the Sep/Dec bounce shapes up as initial key support. 1.3392 high then 5 dma at 1.3398 to hold.

Japan's core machinery orders rebounded sharply in October-Core orders +2.8% yr/yr vs forecast -11.3% - revival in corporate spending. Pair remains in lower half of Dec 104.75-103.68 range. 50% Fibo of range precisely at 104.22 holds as range 103.96 104.21.

USD/INR to obviously gap higher from 73.52 previous close. The resilient 73.75 caved in during later half and whippy moves inside the range - logically, the bids not to fade after having endured so long .73.65 73.85 range.