

Thiagu's Blog Global Market Outlook-10 Dec 20

Elevated levels of event risk surrounding EU-UK trade talks & ongoing negotiations on U.S. stimulus package - ECB and EU summits and least prepared markets - weak undertone in risk.

U.S. House approves stopgap funding bill - still haggling continues. Thorniest issues - business liability protections sought by Republicans and aid to state and local governments sought by Democrats - have yet to be worked out.

What had appeared to "simply be a matter of fisheries" has become complex. EU-UK leadership agreed to keep negotiating until Sunday at which point a "decision" will be made; no deal Brexit a real possibility.

EU is publishing draft regulations to tell big tech that they need to be policing the internet or could face fines of up to 6% of revenue. Meanwhile, Dozens of states and Federal govt sued Facebook in twin antitrust lawsuits - hence fear that Govt coming after Big Tech might pop Nasdaq.

Potential USD positive year-end pressures are increasingly in play - no-deal Brexit is seen as more pound than euro bearish - but it would be definitely dollar-positive and a climb back to break down level of 91.73 by this week close is likely in USD index.

EUR USD on expected lines but should close below 1.2043 to confirm down move towards 1.1942- its broken down trend-line from 2007. Burden of proof shifts toward EUR bulls as it fell to five-day lows. Expect ECB to sound alarm bells today.

Rapid rise from Wed low- speculation of PBOC intervention -USD/CNY fix near f'cast -may quell talk China trying to slow CNY rise. Still 6.5560 break expected.

Sterling has remained resilient even as the risk of a no-deal Brexit increases. EU chief says sides "far apart" after "lively" Johnson dinner. GBP/USD support 1.3210, 38.2% Sep-Dec rise, then 1.2854 -Nov low. Deal would see a test of 1.3677, 76.4% of 2018-2020 fall. 1.3326 21 dma and earlier 1.3476 high are first support resistance

Fourth straight USD/JPY session with higher lows shows shorts covering. Also in fifth straight week with higher lows. Close above the 104.43 is key for targeting Nov. 24's 104.76 high.

Govt considering relaxing RBI's 2%-6% inflation target band - admission of the upcoming inflationary spiral - markets could care little in the current euphoric mindset and probably cheer. USD/INR to gap higher at open and expect a day of 73.65 73.80 range- ability to bounce off 73.50 is encouraging for another upside stab at 74.00.