

Thiagu's Blog Global Market Outlook-22 Dec 20

Risk likely less now- Wall St closes mixed after falls early. Concerns mount over what this new Covid strain could mean for the economic outlook and vaccine led recovery. Consensus view for 2021 is at risk of being repriced.

It is that time of the year when liquidity remains always a concern and when new news is delivered it has a magnified impact on markets.

Brexit talks remain the top event risk as

House passes legislation with \$900 billion in coronavirus relief and \$1.4 trillion to fund Govt. through Sept. 30. The Senate plans to follow in approving the bill.

Fed permits banks to resume share buybacks -Financials soar and the virus impact nullified. Russia hack of Treasury worse than thought. November Chicago Fed National Activity Index, which came in at 0.27 from 1.01. USD index 90.13 to hold for upside test of 91.73

EZ Dec Consumer Confidence improved to -13.0 from -17.6. The strong Rebound suggests close above Mon's 1.2253 high bullish. Close below 1.2184 well tested 10 dma to signal consolidation. 1.2206, 38.2% of Monday's bounce and 1.2253 should contain the range.

While Trump continues to target Chinese firms, Beijing is positioning itself for more multilateral deals that expand its influence globally. There isn't much Biden can do about that as his would-be allies badly need more access to Chinese consumer. Hence Yuan might stay insulated from global mayhem. However, break above 6.5700 - top of weekly Bollinger downtrend channel- to see 6.6170.

New virus strain and Brexit impasse - Johnson on Brexit: still problems, we'll thrive without a deal - talking a good game to the end, as economic outlook darkens -choppy consolidation .1.3135-1.3625 December range defines the broad

USD/JPY surge to 103.89 -since off- bulls loose traction on shift in risk. Rumour of GPIF bids- Back to 103.30-35. bidding interest still from them: 103.10 103.40.

USDINR on expected lines. More to do with overstretched positioning & crowded consensus - less to do with virus. Hence do not expect retreat. Base built around 73.50 - climb past 74.07 to reinvigorate upside. For now, 73.80 -74.10. Dec OI in exchanges cross \$6 billion: markets short excessive volatility in fixing on expiry day?