

Market awfully thin-Markets show muted reaction to Trump signing aid bill. Move allows resumption of unemployment benefits, avoids govt shutdown.

Debate in the markets at this time of the year is about the themes for the New year. While no predefined themes have ever been proved right in the past, markets remain fascinated with forecasting. Sell side stories remain consistent every year in the last week of Dec : Weaker dollar and stronger equities.

However the simple two way check might be age old factors: Growth and inflation . Growth will be the differentiating theme whereas Inflation could be generalised theme

Economies that recover growth quicker should see a stronger currency. But of course, that growth potential might yet be outweighed by higher inflation.

Inflation may be at the fore in 2021 - not prompting its usual reaction on exchange rates. Central banks would stay unmoved as fiscal dominance of monetary policy will continue in 2021 and beyond - which is in contrast to the years after GFC, when the forward guidance was vague and central banks had a constant temptation to tighten monetary policy.

EUR USD inside 10 and 14 year averages at 1.2124 and 1.2632. At 1.2600's, EUR trades at the top of its averages dating to 1999. Break below 1.2124 and 1.1963 targets 1.1700's. And this is exactly where

EUR might trade. EUR in dead neutral zone

USD/CNH maintains firm bias abv 6.50 despite bearish bias. The markets expect Possible reigniting of US-China tension under Biden's presidency to cap Yuan's rally with disputes over tech firms, intellectual property, geopolitical friction and trade being intractable issues .

Even after UK leaves EU , the issue will continue to linger dividing the nation. UK might be like Ireland after the civil war: divided for generations over what should have happened back at peace conference in 1921. Optimism misplaced .Boxing Day retail footfall slumps 60% amid COVID-19 curbs . Economy in tailspin. **Bearish chart pattern, failures to refresh monthly high keep bears hopeful.**

BoJ Policy Board Dec 17-18 minutes - risk Japan will return to deflation- also fearful of abrupt moves in FX, first mention in a while. Japan Nov incl output stalling, unch m/m, +1.2% exp. Bidding interest still eyed from well ahead of 103.00 -Quiet and maybe some chop expected to continue.

The usual end of the year stories about how strong Rupee is going to trade in next year . We have heard so many times. Having defended this zone for six months, how the bids can leave in the last few days of the year .73.45 73.65