

Thiagu's Blog Global Market Outlook- 06 Jan 21

Politics is the dominant theme for now: Very tight contest in Georgia and outcome to lead next risk/USD move. Besides, Congress meets today to count electoral votes, declare 2020 election winner.

It's a day for the record books. US 10-year treasury yield looks about to top 1%. FOMC minutes later in the day -

U.S. mfg activity rose to its highest level in nearly 2-1/2 years in Dec. Such strong data tends to favour selling dollars to fund risk, while Senate uncertainty obscures the outlook for Biden administration's agenda.

Surprise rebound in ISM was on supplier deliveries (67.6 from 61.7). Lengthening in suppliers' delivery times is normally due to increased demand - in current instance, slower deliveries signal supply shortages

Oil prices in headlines after a long time: gains of nearly 5% - Saudi Arabia offered to make voluntary cuts to its oil output and Iran's seizure of a South Korean vessel.

EUR/USD pulls back after triggering stops above 1.2310; 1.2328 high seen. Support is at the 10dma 1.2241 and the 21 dma at 1.2203. Still would expect a down move.

Trump signed an executive order banning transactions with eight Chinese software applications - tough for Biden. China's Caixin Dec services PMI eases to 56.3 from 57.8. Corroborates official PMI which also showed tapering off. SD/CNH back up 6.4250; Relief rally likely till 6.4975

Britain began third lockdown. Sunak's business grants £4.6 bio. Biggest drop in new car sales since WW2. Markets ironically treat locked down UK as positive for GBP- not tenable even if Dollar is weak. Close below 1.3485 21 DMA, a base last week, would end topside bias.

Mazda only Japanese car company to maintain U.S. sales in 2020. USDJPY swelling bearish momentum- May have missed best window to rebound at yesterday's 103.31 high. No real significant support until the 101.18 2020 spike low. Exp. 102.61-102.95 range. Close abv 21dma (103.60) to negate.

USDINR stayed in 73.00 - 73.25 range. A break past 73.38 is required to provide impetus till 73.64. for now, 73.10 73.30