Thiagu's Blog Global Market Outlook- 08 Jan 21

Dollar's correlation to S&P 500 flipped back to positive after being negative since the pandemic. As Treasury yields rise without undermining stocks and the markets focus on prospects of fiscal stimulus rather than turmoil at Capitol Hill, it's a double-win for the dollar.

Payroll takes the spotlight next, with expectations set low. (ISM services emp index's drop below the 50). Dilemma is to understand as to whether USD is beginning significant upside or weak bounce. Strong close today after payrolls above 21dma at 90.15 would open 38.2% and 50% Fibos of Nov-Jan drop at 91.155/757, the latter close to Sept 91.737 key low.

US 5y 5y reflects a strengthening of Fiscal and monetary coordination. For Eurozone there is a doubt that such Fiscal- Monetary mix will last beyond pandemic. EUR has dived out of rising wedge (Nov. 4 and Nov. 23 lows, Oct. 21 & Dec. 3 highs). Support at 21-day MA at 1.2222 holding - but break would warn of down move. (EUR/USD has been above the 21-day MA since Nov 12)

Pompeo angers China with Hong Kong threat, plan to send envoy to Taiwan. China regulators are moving to ease outflows- Short-covering momentum to increase till 20 DMA 6.5095 reached.

GBP to stay soft on more aggressive pricing of a BoE rate cut after UK entered its third lockdown. Brexit deal fine print proving problematic for UK retailers. Close below 1.3503 21 dma base last week to end upward bias.

Stability comments from Japan to be read as: 'we do not want yen to strengthen'. Nov household spending up 1.1% y/y (Exp 1.5% fall). Rising US yields, stocks and the dollar - Conventional mix of factors calls for 104.41 - break for 106.08 Fibo.

USDINR on expected lines. Last few days of supportive undertone culminate in gap up. USTR could impose retaliatory tariffs in response to India's digital taxes - not of any concern to markets though there are implications. Imminent 73.38 break to see 73.65.