

Thiagu's Blog Global Market Outlook- 11 Jan 21

"Trillions" in new U.S. fiscal stimulus plans set to be unveiled this week as Inflation returns. Fed hides behind AIT bunker. Markets caught in USD short Consensus trap - escape to exit door - Market plays to the script -sell side research as always lives up to its billing - gets it wrong within a week.

Clarida said Fed wasn't concerned about recent rise in U.S. yields, while sounding upbeat on recovery in 2021. Fed speeches this week from Rosengren and Bostic to reiterate the stance - Fed reluctant to purchase longer-dated bonds and hence up move in US yields well sustained.

Headline payrolls certainly disappointed- wage inflation spiked to a seven-month high of 5.1 %. Gold slumped more than 4% and silver followed with a near 10%. Bitcoin has had a wild ride the past few hours. Impeachment move may be ignored by markets.

US data this week includes IP, UoM prel Jan cons sentiment, CPI, Beige book and Retail sales. Break above 90.07 21 dma ends downside - consolidation. 91.15 key -38.2% Nov-Jan fall - close above needed to get bullish

This week Data in Europe: EZ IP and trade German GDP .20-bp rise in U.S. 10-year yield gave euro longs an excuse to pare back. Friday's EUR/USD close below 21 dma (1.2220) suggests uptrend is losing momentum. It was the first close below since Nov 4. Early stage large down move first Obj 38.2 Fibo 1.1602-1.2349 Nov-Jan rise at 1.2063.

Turnaround in fortunes in semiconductor and energy sectors highlighted Asia's success, given the region produced 45% of the world's semiconductors - sector's market capitalization surpassed energy. Some stories are built on strong logic even in these times (Korea's Kospi climbs 15 % since Xmas)

Worsening US-China ties will augment gll rebound in Dollar US lifts restrictions with Taiwan. Move will certainly anger Beijing, may cue retaliation. CPI +0.2% y/y (exp 0.0%) & PPI -0.4% (exp-0.7%).Dec trade data is due this week. Today's close above 6.4750 in USDCNH would nullify Bollinger downtrend channel.

Sunak is expected to shelve plans for tax rises in his March budget as pandemic impact rages .1.3677, 76.4% 2018-20 fall key resistance while Close below 1.3514 21 dma -base in late December, would end topside bias

Tokyo holiday. Last week's sustained break of 103.58 a bullish signal. Targets a test of the 104.32

Oil (Oil prices near 11-month peak amid supply curbs) and US yields besides risk of US inflation - memories of 2018 are too fresh but "this time it is different" hypothesis. 73.38 to break for 73.65.