

Thiagu's Blog Global Market Outlook- 12 Jan 21

Continued rise of US yields as Ten year hits a fresh trend high at 1.15- creating sense of risk-off

Rebounding Treasury and TIPS yields and little sign that Fed sees higher rates as threat to recovery amid expansive fiscal is making dollar shorts uncomfortable. Thumb rule is that in case 10 year goes above CPI that might be a possible trigger for Fed to come.

Fed speak was on expected lines: Kaplan was mildly hawkish for the medium term at least and Barkin projected 'hurt' for US in Q1 and H1 but H2 stronger.

Trump likely to be impeached unless he steps down. Polarization is uncomfortably accentuating ahead of Jan 20 Inauguration

Dollar has macro backing. USD index is highly correlated to 10-year TIPS yields that appear to have bottomed after failing to reach their summer lows last week. USD index resistance is at 91.155 - 38.2% Fibo of the 94.308-89.206 Nov-Jan slide, close to Dec. 7-10 rebound highs.

EUR/USD prints a three-day losing streak and hits two-week low -longest daily losing trend since end Oct - turns bearish, scope for deeper losses. US. rates are outpacing Bund yields, widening spreads in the dollar's favour.

USDCNY fix was not dampened to moderate o/n USD rally - could be a hint China wants to subdue yuan's recent strength. USDCNY close above 6.4805 to suggest a rally into 6.5500 min. China inflation rose faster than expected- an indication for global. Price pressures.

Johnson says 'race against time'. Sunak warns economy will worsen before it gets better. Monday's break of 1.3513 21 dma break ended upside. 1.3447 could shift momentum to downside - potentially a run at 200dma at 1.2883. Initial support at 1.3311, 38.2% Sep-Jan rise.

USD/JPY stuck in 103.81-104.22. Major falling trend-line at 104.36. USD shorts plenty- the positions will go from awkward to precarious if USD/JPY closes above 104.40. Support from 55 dma 104.04.

Nascent up move gains more traction. USD/INR to stay firm above 73.38 - obj at 73.70 100dma. Close above to indicate end of downtrend from Oct.