

Thiagu's Blog Global Market Outlook- 13 Jan 21

Reflation and Rotation have been the themes since Nov election - got a boost following Democratic control of Senate. Hence Market sentiment stays mildly positive despite virus woes and US political turmoil.

U.S. 10-year Yields have rallied nearly 25 bps since Jan. 6 in the face of mounting supply. Markets have been measured in their reaction. How high can yields go before triggering Fed buying to cushion fallout?

U.S. 10-year yield eases from 10-month high of 1.1870%. Key test will be market reaction to today's 10-year notes auction, followed by tomorrow's 30-year bonds.

Since Fed last met in mid-December, there has been a whipsaw sequence of events around pandemic and U.S. governance - matters both critical to economy. However Fed speakers like what they see and sound tad hawkish. Powell's webinar Thursday eyed.

Dollar faces stiff resistance in the 91.70s

(breakouts of similar nature observed in early 2011, 2014, and 2018 paved the way for significant gains) -has huge support at 88.25 should the rebound in yields sputter.

EUR/USD's 1.2132/37 lows Monday and Tuesday held just above the spike low of 1.2130 struck on Dec. 21 -- when Congress approved \$892 billion package. Should close above 21 dma at 1.2224, to address Monday's bearish break below it- unlikely.

US cancelling Taiwan trips - Positive mood however China records highest daily cases in 5 months. Search on for China's 'red line' USDCNY resistance lowered to 6.4730 - upside break probable still.

Bailey put a damper on negative BoE rate expectations - there were "lots of issues" - such a move could hurt banks. 1.3703 was 32-month high at the start of last week. 1.3608 approximates to 61.8% Fibo of 1.3703 to 1.3451 (Monday low). Beginning to look like a buy on dips but stand aside.

With no respite in the domestic virus infection, Japan is up for further activity restrictions. Cash 'hoarded', spending/prices remain soft. SD/JPY's 104.335 high right on down TL from late March. Exp range 103.75 104.25.

USDINR: Disappointing to have closed below 73.38 and aborted the probability of up move. As oil and yields remain as self-regulating mechanism, bids have stayed in last few sessions. Clarity today. Dips to stay muted .73.10 73.30.