

Thiagu's Blog Global Market Outlook- 14 Jan 21

Potential \$2 trln US stimulus and hence firmer US yields. Recent moves suggest it's the rising yields that'll impact most. Combine the roll out of vaccinations with these huge levels of stimulus and boost for US economy will be substantial. Fed officials promoting talk of a tapering this year. Consensus continues to be skeptical though - time to change?

Previously yields eased on strong demand for a 30-year auction. U.S. 10-year yield declined to 1.0710% low vs Wed 1.1870% peak .CPI indicates of modest inflation.

January's real-yield lows puts a double-bottom at Sept record low and are now up at levels previously associated with dollar index at or above September's 91.737 major low, versus 90.24 now.

EZ IP beat expectations but lockdowns and virus flair-up weigh on outlook.

Euro has corrected 1.7% lower from a 20-month high at 1.2349 reached on Jan 6. price action suggests uptrend has lost traction. Clear break below 1.2130 targets 38.2 % of 1.1602-1.2349 Nov-Jan rise at 1.2063.

China Dec exports rise 18.1% y/y, imports up 6.5%, top forecasts - trade surplus of \$78.17 billion in December. China's 2021 GDP growth seen at 8.4%, 2022 growth seen at 5.5%. Today's close above 6.4713 to provide upside impetus. (Interestingly Taiwan c. bank seeks 'moral persuasion' to slow currency surge)

GBPUSD off Seven -session high. Bailey comments produced a strong rally - but neg rate view steady, Short-sterling below Jan 6 high 100.12. Resi remains firm ahead of Jan. 4 high at 1.3703. Upside will remain in play above 1.3447, 50% Fib of 1.3190-1.3703.

Nov core machinery orders +1.5% m/m but -11.3% y/y. Data tad better. BoJ Gov Kuroda says Economy currently in severe state but optimistic on economic pick-up. Much depends on virus- maybe post-March - warmer weather. 103.90 104.40

USDINR: Higher USD, bounce in UST yields to underpin. Dec WPI today, f/c 1.30%/y/y vs 1.55% last. (how does that any way matter?). Another ranged day 73.18 -73.38