

Thiagu's Blog Global Market Outlook- 15 Jan 21

Like Trump's repeated "Phase One" in 2019, the words "stimulus" ring in today's backdrop. Markets respond as if they have never heard this before - fiscal stimulus except its headline grabbing potential actually has no lasting impact, especially at ever greater debt ratios and lower credit multipliers.

Raise to the minimum wage to \$15 per hour may see strong resistance from Republicans.

Stalling labor market recovery (Initial claims at 965,000- highest since late August). USD yields steady after peeling back, USD supportive @1.126%. Risk mood iffy after Asia euphoria yesterday

EUR weak almost across board, Italy government in de facto collapse. ECB accounts voices concerns over Euro. Euro's NEER (nominal effective exchange rate) is close to all-time highs, raising the risk of stepped-up ECB rhetoric. Support is at the 38.2 of 1.1602/1.2349 at 1.2063. 21 dma at 1.2223 holds and exp lower EUR.

US taking additional actions on South China Sea - imposes an investment ban on nine more firms. PBOC injected CNY500 billion via one-year MLF facility. Bears need close below 6.4600. But Mixed factors keep yuan on balance, negatives linger

It will take more than two years for UK economy to recover to its pre-Covid level. BOE still expected to keep rates steady until at least 2024. GBP/USD made a fresh 33-month high at 1.3712 before USD firmed. EUR GBP approaching 0.8860/70 where it bottomed 6 times since May. Support is at 10-dma at 1.3611 and 21dma at 1.3568.

Nikkei's rally looks set to continue as it has spurred higher reaching 28,979.53 - high not seen since Aug1990. 103.77-83 so far, Gotobi demand supportive, other bids from 103.50-60 - prices in a range being compressed by the down TL at 104.27.

Pile up through forward route results in an unexpected idiosyncratic cash blow out- Distortions and firefighting to dictate direction. Having fought till now, no reason why it should be given up now. 73.00 73.20.