

## Thiagu's Blog Global Market Outlook- 20 Jan 21

Transition to Biden administration and return to the old era. We should expect volatility but not the kind that we saw in Trump Era ...the normal kind...the kind that provides signals as opposed to running for the woods.

Biden-Yellen fiscal plans lift sentiment - reflation consensus theme still has lot of confidence whereas optimism is already in the price.

What BOJ did yesterday, ECB does today and Fed will do tomorrow - YCC is the next policy tool? Japanisation seems ultimate destination BOJ targets 0.1% on 10y yield and RBA targets 3 y yield at 0.25%. In a different variant of YCC, ECB is managing bond yield spreads between weakest and strongest economies. That is why Italian debt has stayed remarkably stable despite political crisis

Broad risk optimism prevails -Calendar is light - BOJ and ECB meetings tom- non-events. Yesterday's fall in USD index has turned daily from positive to neutral.91.15, 38.2% of Nov-Jan fall is resistance. Close below 90.14 -21dma would be bearish.

Investor economic sentiment increased to 61.8 in January from 55.0 - the second rise in a row - confirms economy is holding up well despite tight lockdown. EUR/USD will need to close above Friday's 1.21615 high to solidify the recovery.

U.S. sec of state nominee Blinken sees bipartisan China policy. Fear of rekindling US-China tensions may keep USD/CNY bears at bay. Biden appointees make anti-China stance clear- expectations of improved relations may be misplaced

USD/CNY could whip back up if Biden affirms agenda to counter China. LPR setting unchanged with 1y 3.85% and 5 y 4.65%.USD/CNH could get a leg up if it ends today above 21 dma at 6.4873.

UK-EU customs border has major impact on "just in time" delivery .UK unveils aid for fishing industry. Upbeat BoE's Haldane - economy recovering "at a rate of knots" . Bailey to talk today. Key 1.3712/26 - Jan high and upper BB. Neutral setup within Jan range - breakout will likely be USD led.

USD/JPY off alongside Nikkei, 103.97 to 103.75 - Multiple lows 103.50-60.- failed breakout - a powerful bearish signal- drives selling pressure but large GPIF bids.

USDINR to stay in familiar zone between 73.15 73.30 - risk of squeeze past 73.31