

Thiagu's Blog Global Market Outlook- 21 Jan 21

Optimism reigns supreme - Biden's inauguration brightens prospects for fiscal stimulus and measures to counter the pandemic. Massive deficit spending is set to stay with Fed policy bent on being extraordinarily accommodative.

Neither BOJ nor ECB meeting is expected to break fresh policy ground, even as both look for ways to improve yield curve control. Weekly jobless claims today. The paradigm of Bad data being good news for risk continues. What could be the endgame? Who cares.

USD index Neutral setup - horizontal BB 89.41-90.87 define broad range. Close below 90.14 - 21 dma would be a bearish signal. 90.27 London low and earlier 90.45 Asian high initial support-resistance.

5-year/5-year inflation linked swap peaked near 1.35%/1.36% zone on Jan 12 - has been trending lower. Since March 2020 EUR/USD and equities have traded almost in lock-step - that correlation is breaking down-couldn't make ground. Key support in EUR/USD at 1.2073 - 55 dma - Break below targets 50% of 1.1602/1.2349 move at 1.1755. Resistance 10 dma at 1.2138 today.

PBOC fix higher than exp; more damping applied. China may be strictly enforcing yuan stability as it makes another liquidity boost before New Year. Worrying trend of rising cases before Lunar New Year break may dampen CNY. Close above 6.4650 to see upside .

Bailey expects a 'pronounced recovery' for the economy. 1.3719/20 key - UBB and Wed high. Momentum studies flat line, 5, 10 & 21 dmAs conflict. Neutral setup within Jan range.

BOJ Quarterly Outlook Report: Japan's economy in severe state. Japan Dec trade surplus Yen 751 mln (Yen 942.8 bln exp). Exports +2.0% y/y, imports -11.6%, +2.4% and -14.0% exp. (Exports to US -0.7% y/y but to China +10.2%, Asia +6.1%). USD/JPY hits nine-session low - below 103.50 raises risk Jan's rebound is over and resumption of its downtrend

USD/INR obviously to gap lower at open. Loss of 73.10 yesterday disappoints- but should regain by close. Business as usual?