

## **Thiagu's Blog Global Market Outlook- 22 Jan 21**

Global virus situation is slowly assuming center stage- vaccine not turning out to be the miracle cure as was assumed- seen detrimental to risk -series of negative headlines - tough for markets to stay exuberant. Appears a claw back in thinking: bigger the pandemic, stronger the risk

However, all was not lost in US - Positive Earnings surprises - 15 out of 19 beating market forecasts. Better-than - expected U.S. claims, Philly Fed and housing starts.

Inflationary exp, Fiscal expansion (Biden to talk about economy later today) less dovish Fed leading to rising US yields could be the catalyst for a period of dollar strength as Covid news stays in headlines.

USD index: Neutral setup - 89.39-90.84 Bolli bands define broad range. Close below 90.14 - 21dma was a bearish signal.89.87 61.8% 2021 bounce and NY 90.28 high initial support-resistance

ECB might try to reduce its total asset purchasing footprint by not using its entire PEPP allocation.EU tighten travel curbs on virus hot spots, 3rd wave fears grow. EUR found strong support around 1.2063 38.2% Nov-Jan rise -needs a quick move above 1.22 to avoid head-and-shoulders pattern.

China's daily cases rise again despite curbs. Accumulating risks of strong Biden response to China as he is not inclined to rescind Trump's policies. Disappointment - USD/CNY snap back up to its Fibo near 6.7500. For now, a close past 6.4870 to trigger upside.

Accelerating vaccinations, receding Brexit issue and diminishing BoE rate cut - cable firmer these days. However, cable woes do not fade- UK could keep restrictions till even Summer. Close below rising 1.3605 21 dma needed to end the topside bias or else blue skies.

BOJ statement & presser show a probable policy tweak in March. Worryingly, Japan's core consumer prices slumped at fastest annual pace in a decade - intensifying deflationary pressure. Japan looks for a way out of Tokyo Olympics. - negative for USDJPY. Pair saw downside till 103.33 on two tries yesterday, bounce since. Range 103.49 - 103.54

USD/INR to stay above 73.00 today and press for weekly close above 73.10. (Thirteen years back on the same day- much before GFC - bears asserted in equity markets and echo was felt in currency in late Apr- history could rhyme - coincidentally all Fibo numbers)