

Thiagu's Blog Global Market Outlook- 27 Jan 21

IMF lifted its global growth forecast amid 'exceptional uncertainty' - Democrats may approve aid without Republicans and Microsoft traded 6% higher after-hours on strong results.

FOMC policy announcement tonight, to eye post-pandemic inflation? Dollar bears got a jump on what's expected to be dovish talk from Powell but USD is able to hold above 90.039 indicating reluctance to price too much ahead of the event.

U.S. consumer confidence and house prices higher; 55 dma looms as resistance at 90.86.

Conte quits as Italy's PM in tactical bid to build new majority. French cases rise, third national lockdown feared. EUR/USD's immediate bias remains neutral. Close above 1.2190 -21 dma bullish. 1.2050/65, lower 21 day Bollinger Bands, 38.2% Nov-Jan rise, 50 dma is pivotal support.

China's Dec industrial profits surge 20.1% y/y. China reports lowest daily COVID-19 cases in 2 wks. Confirmation of another China hawk Blinken as Secretary of state may dent CNY risk-on but USD/CNH rally capped by tighter cash conditions in the domestic money markets. Ranged

Virus situation concerning but markets care little. (UK passes 100,000 COVID deaths. PM Johnson rejects call for temporary closure of borders). Flat after closing +0.45% with a bullish outside day, keeps uptrend on track. Strong trending setup - blue sky until 1.4303, 50% of the 2014-2020 fall should it break above 1.3745 (Cable has notched seven intra-day highs above 1.3700/below 1.3745 this month)

Bottom-line driver of forex is real rate differentials, and neither Fed nor BOJ poised to rectify. USD/JPY down move confirmed by rejections -trend-line from March at 104.00/3.87. Last week and January's lows at 103.33/102.559 strong support. But, if broken, 2020 and 2016 lows at 101.18/99.00 become potential obj

USD/INR likely to recover after Mon drop.

Recovery attempts limited though. Month end expiry. Carry is the ultimate determinant. 72.85
73.05