

Thiagu's Blog Global Market Outlook- 28 Jan 21

Game stop is appropriately the name that stops the risk game in its tracks. While FOMC decision and earnings should have been the excuses to load up risk, world curiously remains enamored in single-stock names.

Indices endure largest single-day loss since October as the battle between retail traders and hedge funds has become fiercer sparking apprehensions of risk to systemic stability - regulators can't do nothing more than "monitor"

Risk might stage a comeback -as is usual- after such sell offs but there is a lurking fear of a 'Reddit' attack on all these frenzied mob trades.

Conventional theme might center around dollar-positive perceptions of growing disparity in vaccine deployment rates between U.S. and EZ. Fed staunchly dovish despite asset bubbles. Simply put, Market angst exacerbated by Vigilant ECB and dovish Fed.

ECB Knott: ECB could decide to cut its deposit rate further below zero if that proved necessary to keep its inflation target in sight - the most explicit hint to date from an ECB policymaker. (ECB last cut its deposit rate in September 2019, to -0.50%). German govt slashed its growth forecast. EURUSD has carved head-and-shoulders pattern with the neckline at 1.2052. Close below would confirm a bearish reversal and open the doors to a 300-pip fall.

US hardens stance against China: State Dept is reviewing determination that China committed genocide to make sure that it sticks. Tentative reversal signal appears on USD/CNH dailies. Long-tailed doji candlestick deflected by 50 DMA at 6.5128

COVID toll continues to surge, as does vaccine rollout. English lockdowns set to last at least until March. Upper BB capped - 1.3753 resistance. Close below rising 1.3637 21dma needed to undermine current uptrend.

USD/JPY on the verge of a bullish shift. Breaks through 103.97. USD shorts near their biggest since 2016, positioning unease if dollar follows trend line break closing abv 100 dma (at 104.44) for first time since June 6. 104.40 rally high Jan 11

Downside sealed and Global crowded bets are the first one to go down. USDINR to obviously trade above 73.00 - carry to shield upside: only when spot goes higher carry could get soft - unless carry comes off, spot can't go higher - vicious circle - who will blink first?