

## **Thiagu's Blog Global Market Outlook- 02 Feb 21**

FX and equity worlds may not remain on the same page from hereon as US growth gathers steam. Stimulus- whenever it comes - could sustain momentum. Strong US mfg and rising prices paid is the baseline - resultant Broad USD-bullish tone

Rosengren and Bostic reiterate need for further stimulus. Steepening of 10-year/2-year & 10-year/3-month U.S. yield curves, which Dollar is negatively correlated to, has halted near key level. Curve flattening would be normally positive for USD

Retail frenzy cools. Sustained weakness of Gamestop (short interest down to 39% of free-floating shares, from 114%) and CME move to raise margin on silver futures by 18% - Stocks continue Asia bounce but the seasonals say February is the second weakest month for S&P 500 especially in the first year of the Presidential cycle.

Close above 55 dma at 90.668 supports upmove and a potential breakout to Sep major low and 50% Fibo of Nov-Jan drop at 91.737/757.100 dma at 91.88, will reinforce those hurdles soon.

EZ unemployment data depressing. No end game in sight on virus. 1.2063, 38.2% Nov-Jan rise is being tested for a third time - break bearish. Bet on a steeper decline

China's top diplomat strikes conciliatory tone on US relations - draws red line on China's territorial claims. Yuan funding shortages may persist. CNY drop of 0.5% Mon on weak PMI data weighs. 6.4720 break to see upside.

Lockdowns & successful vaccine rollout keeps pair rangebound. Sunak agreed with Boris Johnson that the triple tax lock must be maintained, Waning speculation -- ahead of Thursday's meeting -- about BOE taking rates negative. February is third-weakest month over past 20 years. Close below 1.3648 21 dma to end uptrend.

After several hours of probing, USD/JPY pierced offers at 105, adding to last week's major reversal of the pandemic downtrend from March. Above 105 would see major resistance at 106.08/11 from 38.2% Fibo of pandemic downtrend -twin Oct highs.

Central bank set to fund Expansionary policy -fiscal dominance experiment - gamble that there won't be inflation- Risk of stagflation. Currency should carry cross. 73.35 immediate and 74.25 thereafter. For all those who forgot oil, February is the best month of the year for oil over the past 20 years, averaging a gain of 4.4%.