

Pace of rate hikes slowed in December but that doesn't mean central banks are wrapping up their monetary tightening any time soon. As the year progressed, even the reluctant bystanders have started sounding hawkish, at least to stay in the credibility game.

Back in the late Carter and early Reagan eras, the total public and private sector debt to GDP ratio was around 130%. Today it is twice that amount, around 260%. And it raises the question: given the level of leverage in the public and private sectors, can U.S. economy support such large rate hikes without suffering a downturn?

But the much anticipated recession is not yet around the corner. Stocks jumped out of the gate after Conference Board's confidence surged to 108.3, crushing

consensus 101.0 - hitting the highest level in 8 months. Solid earnings from **FedEx** and **Nike** (NKE) added to the day's positive momentum.

Festive atmosphere prevails across and the markets could turn year-end/month-end transactional. Better to stay aside.

EUR/USD sellers tipped 1.0650/65 - which has capped since last Friday. Support is @ 10 dma at 1.0606 - key 21dma @ 1.0526

Current stasis between economic recovery & pandemic is why markets have little to cheer as China reopens & allows imported vaccines. PBOC says will keep liquidity ample, to open bond market. Also says will support real estate sector, keep currency stable. USDCNH Fibo 6.9665- close above to hint a stronger dollar in the making .

Reports that UK NHS staff to be offered fast-tracked pay rise. If true, and the offer is accepted by the unions - major step forward. Close below 1.2175 21 dma is bearish for 1.1634 38.2% Sep/Dec bounce.

USD/JPY cap in place @132.50, massive \$1 bln option expiries Post-BOJ tweak position adjustments seen over. Core 130-135 range give or take a yen. No talk of stops -Tokyo playing it by ear.

Minutes hinted that RBI is 'worried' over elevated inflation. USD/INR unable to pierce past 82.85-82.90 level. Prompts speculation someone defending 83 level. Obviously a close at the historic high won't make the narrative look good, though the Macros suggest otherwise.



