

Daily Market Outlook

6 December 2019

Market Themes/Strategy

- Despite firmer UST yields, the broad USD continued to capitulate lower, with the DXY index slipping below the 97.50 handle. The AUD was the biggest underperformer within the G10 space, on the back of data weakness. Meanwhile, consolidation on the risk front kept JPY-crosses generally supported.
- Risk appetite appeared to have improved slightly over the past 24 hours (global/US equities stabilized, global core yields firmer, UST curve steepening bias), although we are really none the wiser over Sino-US progress. Overall, the **FXSI (FX Sentiment Index)** eased south, dipping a toe back into the **Risk-On** territory.
- Next week should be an exciting one, with investors keeping an eye on the UK elections (Thu), the ECB (Thu) and FOMC (Wed) policy decisions. However, the main event may be on 15 December, when the next round of US tariffs on Chinese imports is scheduled to come online. Expect risk-related plays to be jumpy to headline developments. For now, front end vols remains depressed, but expect them to pick up into next week.
- Till then, investors may stay tentative ahead of US NFP (1330 GMT) today. **A mostly negative data lead-in, and the consolidation of risk appetite should keep the broad USD heavy into the NFP release.** However, do not rule out an upside surprise for the broad USD as the DXY index approaches the recent floor at 97.10/20, especially if the data is not as bad as initially expected.

Treasury Research

Tel: 6530-8384

Terence Wu

+65 6530 4367

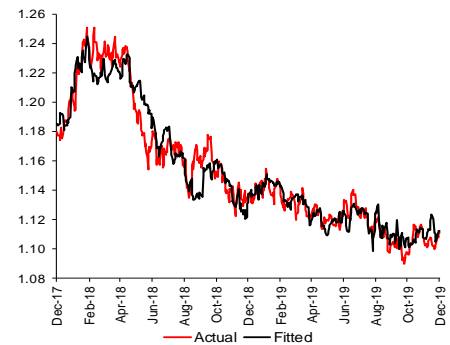
TerenceWu@ocbc.com

Daily Market Outlook

6 December 2019

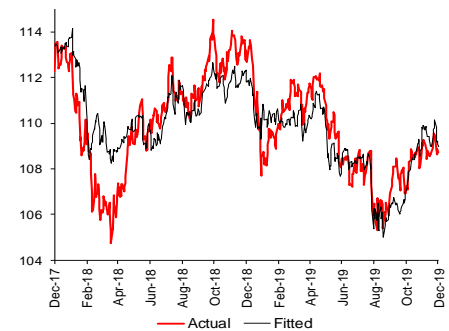
EUR-USD

Buoyant, but how much more headway. With the 1.1100 breached, expect the EUR-USD to stay supported into the weekend. However, we remain suspect of further gains unless there is a broader retreat in the USD front. Continue to collect on dips towards 1.1060, targeting further topside towards 1.1150.



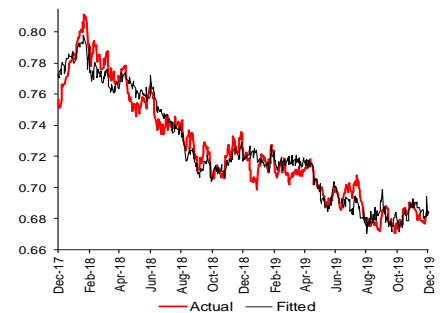
USD-JPY

Topping out. Revert to a heavy posture for the USD-JPY within familiar territory south of 109.00, with the 200-day MA (108.87) and the 55-day MA (108.46) bookending the pair, pending further headlines.



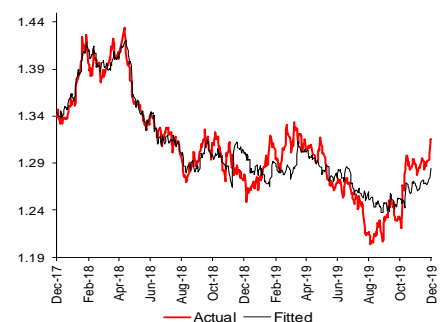
AUD-USD

Base build. Despite the recent dip, the AUD-USD retains some upside momentum for now. A firm floor may be in place near 0.6810, the confluence of the 55-day and 100-day MAs, while the first resistance is still seen at 0.6870.



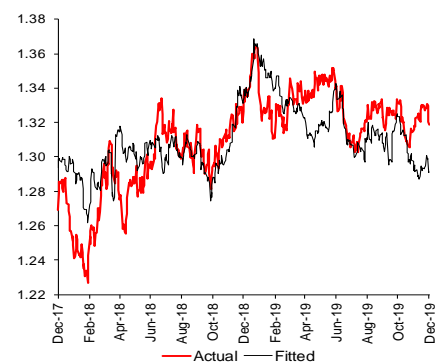
GBP-USD

Angling higher. With greater clarity of a Tory victory as we move closer to the election date, the GBP-USD climb as persisted, with short term implied valuations in tow. Note however, that front-end risk reversals have extended in the opposite directions, perhaps highlighting skepticism of the recent run-up.



USD-CAD

Easing off. With the Bank of Canada sounding optimistic once again, expect the USD-CAD to retain a heavy stance for now. BOC expectations appear fluid at this stage, and we expect directionality in the pair to be directed by it at this juncture. Downside target at 1.3120, before 1.3120.



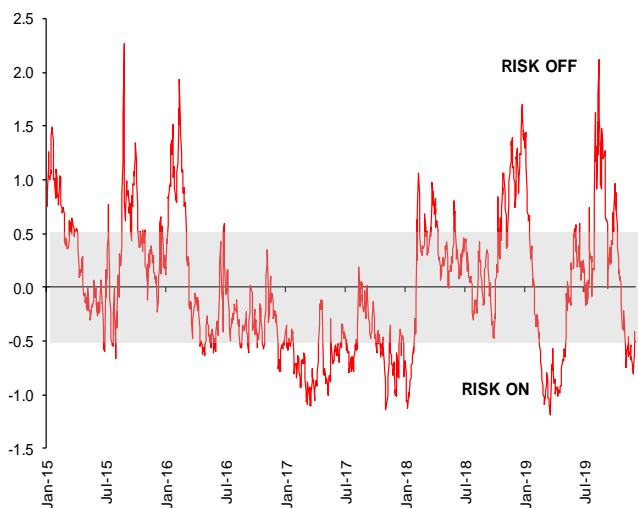
Daily Market Outlook

6 December 2019

Asian Markets

- USD-Asia:** USD-CNH continued to be heavy around the 7.0400 neighborhood. Slight consolidation of risk sentiment should also provide some downside pressure on the USD-Asia into the end of the week. Nevertheless, the operative word is uncertainty, and we do expect further jitters next week, with investors likely taking out insurance ahead of 15 December tariff deadline.
- Elsewhere, the RBI surprised with a hold, keeping the INR and Indian govie yields supported as a result.** This is in-line with the wait-and-see attitude adopted by the Asian central banks in the latest round of rate decisions.
- USD-SGD:** Expect the USD-SGD to retain a heavy demeanor, although the pace of decline may slow ahead of the 1.3600 mark. For now, expect interim support at 1.3590, before a firmer floor at 1.3560. The SGD NEER firmed further to +1.59% above its perceived parity (1.3819). NEER-implied USD-SGD thresholds are also softer on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1053	1.1100	1.1108	1.1115	1.1158
GBP-USD	1.3100	1.3125	1.3160	1.3166	1.3200
AUD-USD	0.6800	0.6813	0.6841	0.6868	0.6900
NZD-USD	0.6500	0.6542	0.6553	0.6555	0.6562
USD-CAD	1.3100	1.3174	1.3182	1.3200	1.3216
USD-JPY	108.26	108.54	108.70	108.87	109.00
USD-SGD	1.3589	1.3600	1.3605	1.3663	1.3670
EUR-SGD	1.5100	1.5101	1.5112	1.5141	1.5200
JPY-SGD	1.2463	1.2500	1.2516	1.2561	1.2576
GBP-SGD	1.7885	1.7900	1.7903	1.7918	1.8000
AUD-SGD	0.9229	0.9300	0.9307	0.9308	0.9351
Gold	1446.20	1451.05	1474.90	1481.85	1482.26
Silver	16.72	16.90	16.94	17.00	17.18
Crude	57.52	58.30	58.32	58.40	59.12

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbcwh.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).