

Daily Market Outlook

9 December 2019

Market Themes/Strategy – The week ahead

- The broad USD bounced on stronger than expected NFP numbers (254k vs. mkt: 178k), but still closed mixed against G10 counterparts. The USD bounce was reflected most clearly against the **EUR**, which slipped away from the 1.1100 handle, and the **CAD**, where weaker than expected employment data contrasted negatively with the US NFP. Meanwhile, **antipodeans** continued to consolidate higher against the USD.
- The **GBP** came off highs on Friday, as we expect increased volatility this week surrounding the UK elections (Thu). Polls continue to favour the Tories, with spot having reacted higher in light of expected political/Brexit certainty. **However, short term riskies moving sharply in the opposite direction, with GBP puts favoured to calls, jars against that narrative.** At this juncture, we do not rule out a near-term reversal in the GBP post-election.
- On the risk appetite front, firmer global equities and core global yields and softer gold points to a slight positive tinge at the start of the week. Overall, the **FXSI (FX Sentiment Index)** dipped further into **Risk-On** territory.
- **Overall, a short term Risk-On/weak-USD dynamic continues to persist within the FX space.** This is also reflected in the **CFTC** data, with leveraged accounts moved against the USD, cutting their net implied USD longs. However, longer-term asset managers (net implied USD shorts reduced) favoured the greenback.
- This week, both the FOMC (Wed) and ECB (Thu) is expected to be unchanged, but any hints on the 2020 rate trajectory at the FOMC, and Lagarde's views on fiscal policy will be scrutinized. **However, the central banks may be shadowed by the scheduled implementation of new tariffs by the US on Chinese imports on 15 December. The base case is for this round of tariffs to be called off.** If they are implemented, any remnant expectations surrounding the Phase 1 deal may be severely dented, if not reversed.
- Overall, despite the post-NFP bounce, **the broad USD may not out of the woods just yet.** With sentiment still positive, we look for the AUD and NZD to stay supported for now, pending headline developments.

Treasury Research

Tel: 6530-8384

Terence Wu

+65 6530 4367

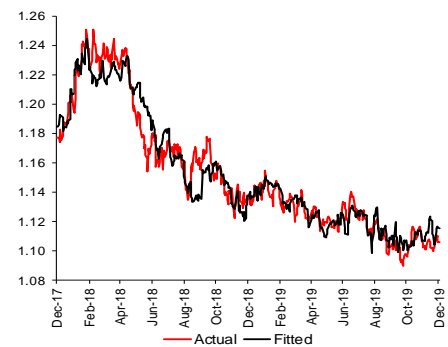
TerenceWu@ocbc.com

Daily Market Outlook

9 December 2019

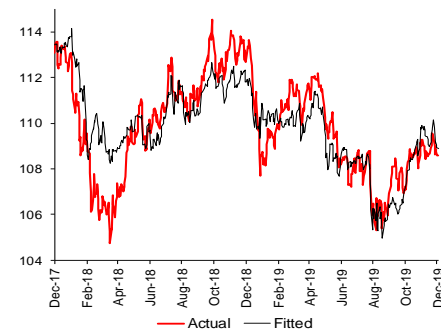
EUR-USD

Consolidate. The post-NFP USD bounce pushed the EUR-USD back into the familiar 1.1000 – 1.1100 range for now. In the interim, expect the pair to stay afloat, especially if the support at 1.1045 (55-day MA) holds. If breached, the risk-rewards shifts to favouring further downside drift towards the 1.1000 floor.



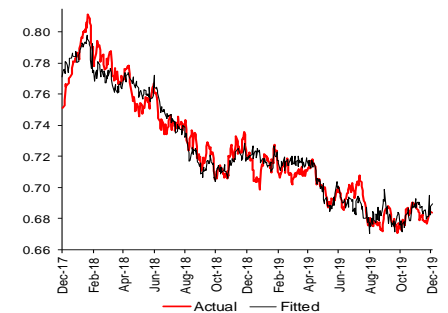
USD-JPY

Topping out. Firmer UST yields failed to lift the USD-JPY, with the short-term implied valuations also pointing south ahead of this event-laden week. Pending new developments, expect the pair to retain a heavy stance for now, with the 55-day MA (108.47) as the immediate downside target. Any bounce should have limited traction above 108.90 for now.



AUD-USD

Base build. Weak China exports weighed on the AUD-USD early Monday, but expect the pair to trudge the zone between 0.6810 (55-day and 100-day MA) and 0.6870. Still persisting risk-on sentiment, and a northerly tilt in short term implied valuations should provide support on the downside.



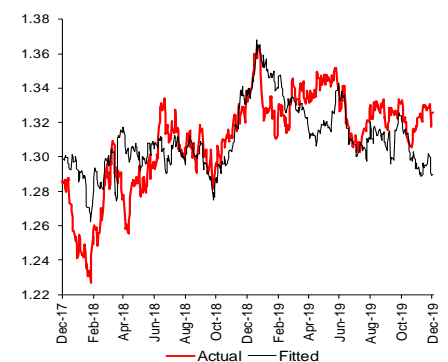
GBP-USD

Angling higher. The GBP-USD topped off on Friday, although the pair may stay supported into the elections. However, with its overbought state, and front-end riskies capitulating, stay wary of a reversal this week. Any dip may first target the 100-week MA (1.3046), before 1.3000.



USD-CAD

Range. The USD-CAD spiked higher, with soft Canadian employment data comparing negatively against the US NFP. Overall, the pair remains locked within the wide 1.3000 – 1.3350 range.



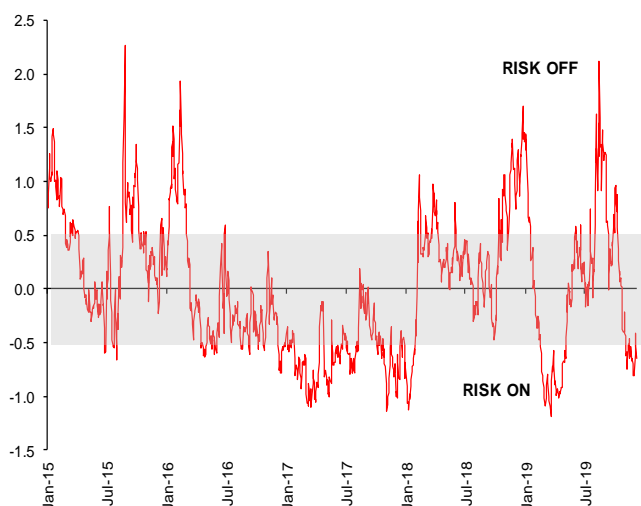
Daily Market Outlook

9 December 2019

Asian Markets

- USD-Asia:** USD-CNH continued to move south towards the 7.0200 mark, with the pair expected to hover on either side of 7.0000 depending on headlines. North Asia should continue to take cues from the RMB complex this week. Overall, despite the USD bounce on Friday, expect USD-Asia to stay heavy.
- EPFR front,** net implied equity inflows into Asia (ex CN, JP) moderated further from the previous week. Implied bond inflows also slowed down to a trickle. This is in-line with the actual portfolio flows, which has seen inflow momentum moderate towards neutral over the past three weeks. **Background support for Asian FX from the flow environment to be limited for now, with any Asian FX strength likely to step more from sentiment-driven Sino-US developments.**
- USD-SGD:** The USD-SGD may attempt to build base just north of the 1.3600 mark, pending further headline developments. Expect the downside support at 1.3590 to hold the pair for now. The SGD NEER held steady at around +1.57% this morning above its perceived parity (1.3819), with NEER-implied USD-SGD thresholds static.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1055	1.1056	1.1100	1.1109
GBP-USD	1.2805	1.3100	1.3145	1.3151	1.3166
AUD-USD	0.6800	0.6814	0.6832	0.6865	0.6900
NZD-USD	0.6500	0.6540	0.6557	0.6574	0.6576
USD-CAD	1.3200	1.3218	1.3261	1.3280	1.3300
USD-JPY	108.21	108.55	108.58	108.85	109.00
USD-SGD	1.3588	1.3600	1.3605	1.3659	1.3670
EUR-SGD	1.4977	1.5000	1.5041	1.5099	1.5100
JPY-SGD	1.2470	1.2500	1.2530	1.2563	1.2576
GBP-SGD	1.7488	1.7800	1.7884	1.7900	1.7911
AUD-SGD	0.9217	0.9229	0.9295	0.9300	0.9307
Gold	1446.20	1450.46	1459.10	1480.86	1481.94
Silver	16.40	16.47	16.47	16.50	16.54
Crude	57.54	58.90	58.92	59.00	59.67

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).