

Daily Market Outlook

10 December 2019

Market Themes/Strategy

- Despite some hopeful comments from both sides on Monday – US Agriculture Secretary Perdue saying the upcoming tariffs is unlikely to be imposed, China Assistant Commerce Minister Ren said China hopes to conclude the Phase 1 deal as soon as possible – the market perhaps focused on the removal of foreign technologies from Chinese government offices as a net negative, turning overall risk sentiment slightly negative.
- Global equities were softer and UST curve flattened. The **FXSI (FX Sentiment Index)** ticked higher within **Risk-On** territory, denoting a small pullback in positivity.
- With that, the AUD and NZD edged lower against the USD. However, the USD was flat to softer against the likes of the EUR and JPY. Meanwhile, the GBP continues to stay elevated on either side of the 1.3150 level. Overall, the major pairs held tight ranges ahead of Sino-US tariff implementation date (Sunday, 15 December).
- Ahead of Sunday, **we may be reduced to headline watching and catching minor shifts in the sentiment.** Risk-related plays should stay in consolidation mode, pending further news-flow. Prefer a tactical play for a lower **EUR-GBP** before the UK elections, but stay wary of a GBP reversal post-election, especially if the results prove the polls wrong.

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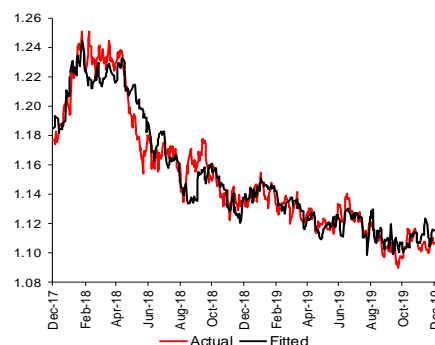
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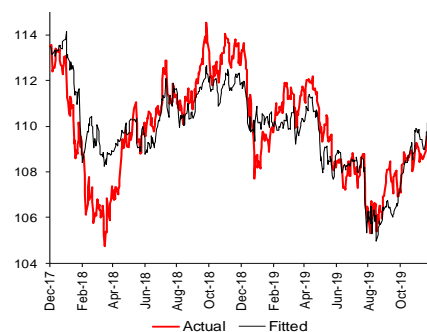
EUR-USD

Consolidate. Expect the pair to be in consolidative mode so long as the tight 1.1040 – 1.1080 range holds. Some slight bias for the pair to edge higher in the near term, but the headway should be limited to 1.1080/00 for now. Initial downside support at the 55-day MA (1.1046).



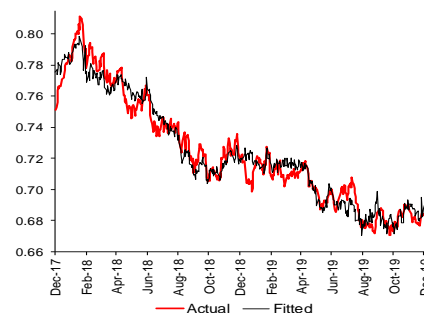
USD-JPY

Topping out. The short-term implied valuations point to further downside bias, but the floor at 108.40/50 remains firm. Expect more downside momentum to build if that level is breached, but note a lack of drivers for the pair to probe significantly lower, unless the Sino-US headlines turn south.



AUD-USD

Base build. The 0.6810/20 floor remains firm despite repeated tests, and may hold for now, especially if there are no negative headline developments going forward. Topside capped at 0.6860 for now.



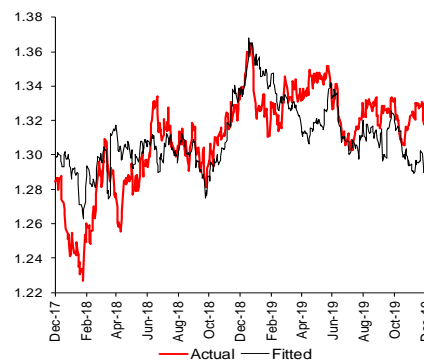
GBP-USD

Angling higher. Upside momentum remains strong for the GBP-USD ahead of the elections as the pair seeks to move further north of the 200-week MA (1.3097). Given the stretched valuations and technicals, we do not rule out a bounce in the near term. Prefer to express GBP-strength through a lower EUR-GBP on a tactical basis.



USD-CAD

Range. The USD-CAD dipped lower, with optimism over the USMCA keeping the pair (and USD-MXN) suppressed in the near term. Expect the pair to exhibit some downside bias for now, as it eases off from the top of recent ranges.



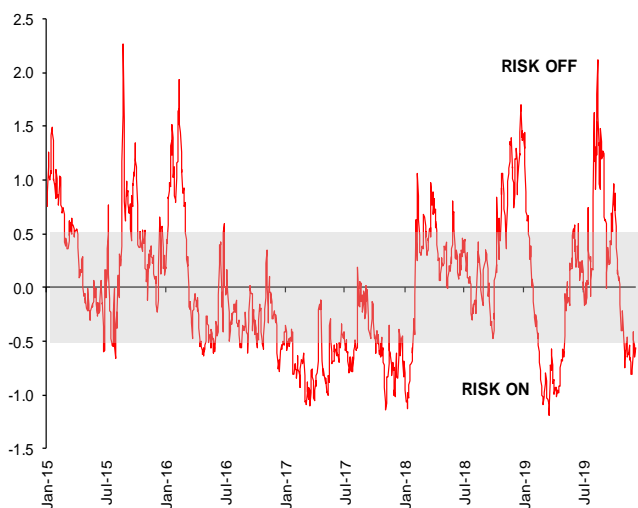
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Asian Markets

- USD-Asia:** The USD-CNH drifted higher on Monday, perhaps in response to the soft export numbers over the weekend. The relatively muted RMB movements thus far points to a lack of expectations for significant progress this week, with the base case probably for a cancellation of the upcoming tariffs. For now, expect the USD-Asia pairs to drift intraday, until further clarity.
- On the Asian macro front,** note stronger than expected Nov export print from Taiwan yesterday, and Nov CPI/PPI prints out of China this morning. Note that Taiwan's macro performance (in terms of PMI, exports, for eg) has been relatively more resilient than South Korea. With the Korean outlook still anaemic, expect this divergence to persist, translating to further upside bias for the **TWD-KRW**.
- USD-SGD:** The USD-SGD continues to struggle near the 1.3600 mark for now, with the downside support firm at 1.3590. Nevertheless, there is not much impetus on the upside either. Overall, expect the pair to still trudge a narrow sideways range. Meanwhile, the SGD NEER edged higher to +1.62% above its perceived parity (1.3818), with NEER-implied USD-SGD thresholds again static.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1058	1.1071	1.1100	1.1111
GBP-USD	1.2822	1.3100	1.3155	1.3179	1.3181
AUD-USD	0.6800	0.6817	0.6836	0.6863	0.6900
NZD-USD	0.6500	0.6539	0.6566	0.6576	0.6583
USD-CAD	1.3200	1.3218	1.3231	1.3279	1.3300
USD-JPY	108.19	108.57	108.63	108.83	109.00
USD-SGD	1.3558	1.3583	1.3595	1.3600	1.3653
EUR-SGD	1.4986	1.5000	1.5051	1.5097	1.5100
JPY-SGD	1.2472	1.2500	1.2515	1.2565	1.2575
GBP-SGD	1.7504	1.7800	1.7884	1.7900	1.7923
AUD-SGD	0.9217	0.9229	0.9293	0.9300	0.9307
Gold	1446.20	1450.56	1460.70	1480.76	1481.05
Silver	16.47	16.50	16.53	16.56	16.60
Crude	57.56	58.90	58.98	59.00	59.85

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