

Daily Market Outlook

11 December 2019

Market Themes/Strategy

- The broad USD continued to diverge on Tuesday, falling against the European complex, but seeing gains against the **AUD, NZD** and **JPY**. The **GBP-USD** sailed north of 1.3200, before a comprehensive YouGov poll suggested that the Tory majority may be smaller than expected. The **EUR**, meanwhile, was supported by stronger than expected sentiment surveys in Germany, although that optimism has yet to translate into improvement in the hard data.
- On the risk sentiment front, Sino-US signals are mixed, with headlines to be found to support both risk-on and risk-off stances. Mixed signals also seen across asset classes, with global core yields higher but US/EU equities lower. Investors are likely undecided, and should continue to remain on the sidelines. The **FXSI (FX Sentiment Index)** essentially static on the day, within the **Risk-On** zone.
- December FOMC decision scheduled later today (1900 GMT). No significant announcement is expected, although the attention will be on the 2020 dots. It has been well established that the bar for further rate cuts is high, but the bias is probably still towards easing in 2020. Note that the median dot for 2020 in the September dot plot is actually one hike from current rate. The dispersion of the dots also suggests that median dot is shaky. **If the median dot in 2020 remains above current rate again, there may be a recalibration of Fed expectations.**
- Even though major pairs are still within very narrow ranges, front-end vols picked up across the G10 space this week. On balance, **we still prefer a slight risk-on / weak USD stance**, with the view that a delay of the scheduled December 15 tariffs is the base case.

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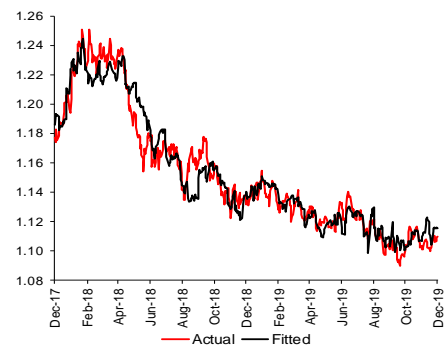
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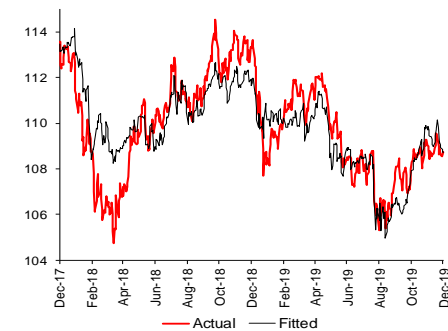
EUR-USD

Consolidate. The EUR-USD nudged higher on the back of stronger-than-expected German ZEW survey results, especially on the big gain in the Expectations gauge. Nevertheless, the 1.1100 mark should cap ahead of the FOMC/ECB meetings Wednesday and Thursday. Any shifts in Fed/ECB expectations post the meetings may give the pair more directional impetus.



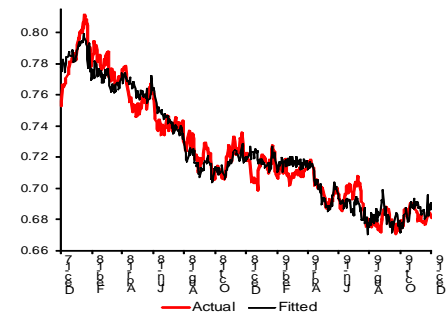
USD-JPY

Range ahead of event risks. Firmer UST yields finally exerted some upside pressure on the pair, although it remains well-kept under the 109.00 mark. Narrow, sideways range to persist, pending headline developments.



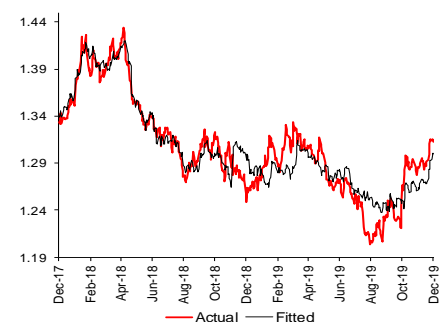
AUD-USD

Base build. The 0.6800 floor held after the 0.6820 support was broken on Tuesday. Mixed money supply data out of China may impart some heaviness on the AUD-USD. At this juncture, any breach of the 0.6800 may cause the pair to succumb to gravity.



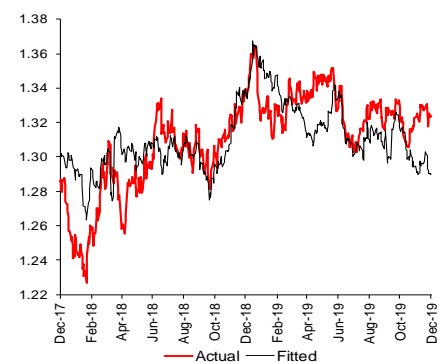
GBP-USD

Eyes on election outcome. Upside move was curtailed late Tuesday, with a comprehensive YouGov poll showing the Tory lead reducing perceptibly and failing to rule out a hung parliament. Expect the GBP to fluctuate between 1.3100 and 1.3220 pending further poll results and the actual election outcome.



USD-CAD

Range. The USD-CAD was flat on Tuesday, but the impending signing-off of the USMCA deal keeps this pair on a downside bias, with 1.3200/10 the immediate downside target.



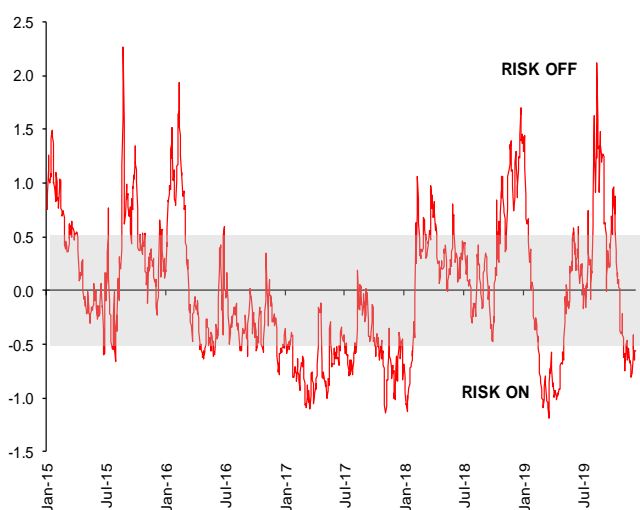
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Asian Markets

- USD-Asia:** The USD-CNH eased lower within a narrow range on Tuesday, despite a mixed release in money supply and aggregate financing data. Without a strong lead from the RMB complex, we expect the Asian currencies to drift along their own idiosyncratic storylines for now.
- In terms of **actual portfolio flows**, aggregate inflow momentum into Asia (rolling 20-day basis) has flipped to negative, while the same gauge for bonds struggles near neutral levels. On an individual country basis, outflow momentum for Malaysian and Philippine equities has been deepening. Inflow momentum into Taiwan and India has moderated considerably, while South Korea and Indonesia have flipped into net outflow territory as well.
- USD-SGD:** The USD-SGD broke lower towards 1.3580 overnight, with the SGD NEER hitting a high of +1.75% above the perceived parity (1.3818). This morning, the USD-SGD retraced towards 1.3595 and the SGD NEER now stands at +1.65% above perceived parity. On a multi-session horizon, the USD-SGD may target 1.3560, but this translates to an estimated +1.90% for the SGD NEER, which may be excessive. We find limited justification for the SGD NEER to persist above +1.70% for now. **Thus, any further downward shift in the USD-SGD towards 1.3560 may be a very slow grind, unless we see a deeper decline in the broad USD.**

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1061	1.1092	1.1100	1.1118
GBP-USD	1.2838	1.3100	1.3132	1.3198	1.3200
AUD-USD	0.6756	0.6800	0.6811	0.6818	0.6857
NZD-USD	0.6397	0.6500	0.6526	0.6538	0.6576
USD-CAD	1.3200	1.3216	1.3236	1.3278	1.3300
USD-JPY	108.19	108.60	108.72	108.82	109.00
USD-SGD	1.3558	1.3576	1.3594	1.3600	1.3648
EUR-SGD	1.4995	1.5000	1.5079	1.5096	1.5100
JPY-SGD	1.2468	1.2500	1.2504	1.2567	1.2569
GBP-SGD	1.7521	1.7800	1.7852	1.7900	1.7949
AUD-SGD	0.9213	0.9229	0.9259	0.9300	0.9306
Gold	1446.20	1452.21	1463.10	1480.24	1480.71
Silver	16.50	16.53	16.60	16.60	17.27
Crude	57.57	58.80	58.89	58.90	59.85

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