

Daily Market Outlook

12 December 2019

Market Themes/Strategy

- The broad USD stumped lower across the board, with **cyclicals** outperforming despite a lack of new developments on the Sino-US front. **AUD** and **EUR** broke higher from their recent range tops, while the **GBP** recovered from the dip due to the YouGov poll yesterday.
- Despite softer UST yields and firmer gold, a slight risk-on tinge continues to permeate on the back of an US-led equity recovery. The **FX Sentiment Index (FXSI)** dipped deeper into the **Risk-On** zone.
- **The FOMC did little to shift Fed expectations overnight**, but there might just be some hawkish undertones. The dot plot showed the median view to be no further cuts in 2020 (one shift lower from September plot). Note that there were no dots below the current rate, signaling that even the doves within the FOMC are comfortable for now. **However, Powell also noted that the Fed is considering an expansion of the existing bill purchase plan to provide further support to the repo market. Broad USD prospects on a multi-month horizon may be hampered if this translates to an acceleration in the Fed balance sheet expansion, and more excess liquidity in the US financial system.**
- Event risk today will be dominated by the UK elections, with the voting centres open from 0700 GMT to 2200 GMT (1500 SGT and 0600 SGT). Unofficial exit polls start at 0600 SGT, with first official results streaming in from 0700. Final results due 1000 SGT on Friday.
- Elsewhere on the calendar, European CPI prints are scheduled (0700 GMT) before the **ECB** decision (1245 GMT) and Lagarde's press conference (1330 GMT). Two appearances by the BOC's Poloz (1730 GMT, 1900 GMT) also on tap.
- On balance, the **broad USD may still be handicapped for now**, with the DXY re-testing recent lows. Barring negative surprises regarding the UK elections and the December 15 tariff deadline, expect the USD to remain on the back foot.

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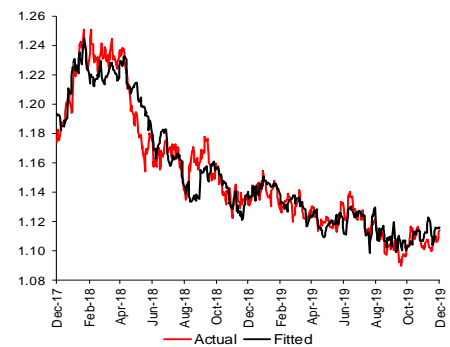
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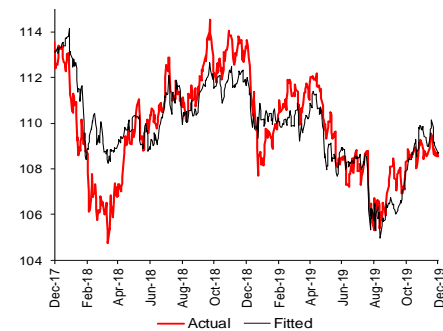
EUR-USD

Consolidate. The EUR-USD breached the 1.1100 ceiling amid a broad USD capitulation overnight. Expect the pair to stay supported into the ECB decision and UK elections later today. Prefer to stay on long side for now, buying on dips towards 1.1100/10, targeting 1.1180.



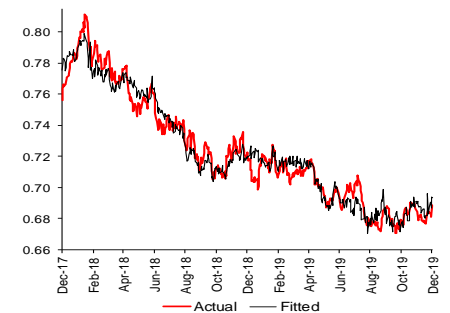
USD-JPY

Range ahead of event risks. The USD-JPY failed to breach the 108.40 base for now, although the uptrend since late-August is at risk of failing. The pair will need to maintain the 108.00/20 level to keep trend going.



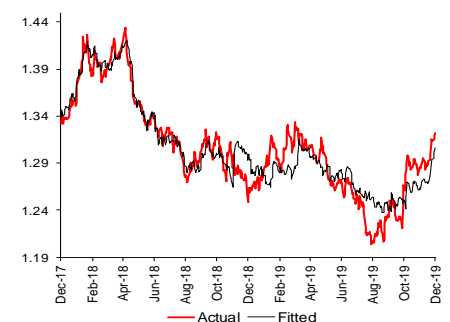
AUD-USD

Base build. The AUD-USD staged a bounce higher off the 0.6800 floor. Binary outcomes may be approaching. If event risks ahead are negotiated successfully, expect the positive risk sentiment to support the pair towards an initial resistance at 0.6910/20. On the flipside, any jitters may take the pair back to 0.6800.



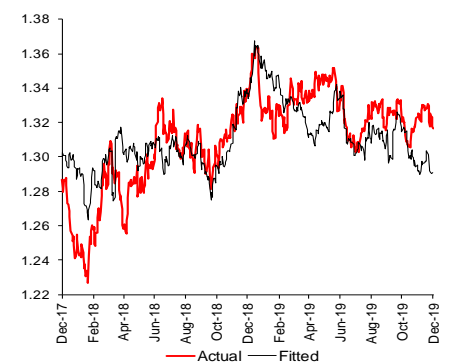
GBP-USD

Eyes on election outcome. The GBP-USD reversed the decline after the YouGov poll. Any further extension post-election may see an initial target at 1.3400, while any surprise may take the pair below 1.3000.



USD-CAD

Range. Board USD weakness post-FOMC kept the USD-CAD heavy, breaching key support levels near 1.3200. Comments from Poloz later today may see him try to push back against rate cut expectations again, pointing to further downside for the pair. Target downside at 1.3130 in the interim.



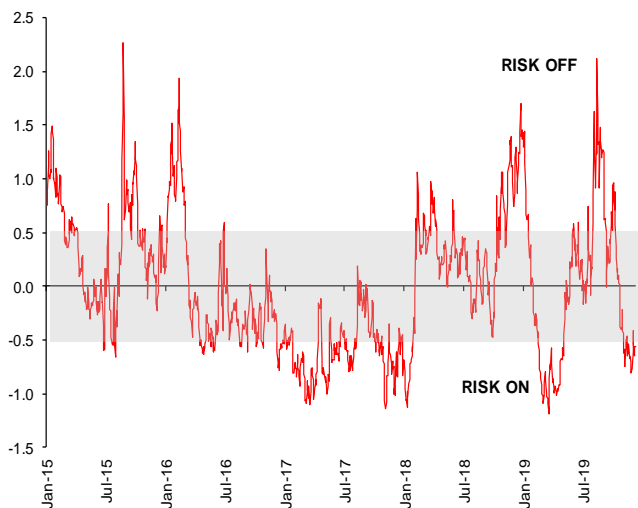
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Asian Markets

- USD-Asia:** Even though the USD-CNH reaction is muted, remnant USD weakness should spill over into Asia, keeping USD-Asia pairs heavy. Nevertheless, without further clarity on the Sino-US front, any move in the Asian currencies should be limited in the interim.
- USD-SGD:** The USD-SGD continued to succumb to gravity, making a push towards the 1.3560 floor this morning on the back of USD weakness. The SGD NEER was well kept by the +1.70% above its perceived parity (1.3785) mark, although the NEER-implied thresholds dipped lower. This morning, the SGD NEER stood at +1.62% above perceived parity. Overall, expect the 1.3560 floor to be under pressure into the end of the week, with the next support at 1.3530. October retail sales data scheduled later today (0500 GMT).

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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