

## Daily Market Outlook

13 December 2019

### Market Themes/Strategy – Christmas comes early

- The broad USD capitulated further early this morning, with geopolitical risk events unfolding in a way that broadly supported risk sentiment. The DXY index was sub-97.00 this morning. The **USD-JPY** and **JPY-crosses** were duly taken higher. Meanwhile, the **GBP** outperformed on the expected UK election outcome, carrying the **EUR** firmer as well.
- With the exit polls overwhelmingly favouring a strong Tory majority, GBP-positivity based on the election outcome may be already priced in by now. Thus, expect the GBP-USD to see limited headway beyond 1.3500/20 (and EUR-GBP beyond 0.8300) in the interim. We will be cautious in chasing the GBP higher from here, at least in the near term.
- On the Sino-US front, an in-principle agreement has apparently been reached on a Phase 1 deal, although the formal text has not been confirmed. A historical lesson though – an in-principle agreement was also agreed back in October, and we all know what transpired since then.
- **Nevertheless, the risk rally is in fully swing for now.** Asian equities opened higher, and e-minis point to gains for the S&P later in the global day. Global core yields also spiked higher. Overall, the **FX Sentiment Index (FXSI)** continued to push deeper into the **Risk-On** zone, with perhaps further legs to run in the coming sessions.
- The environment is broadly **USD-negative and favours risk-on plays**, with the risk rally still likely to persist. For now, the EUR-USD and AUD-USD are pausing near 200-day MA resistance levels, but if these levels are taken out, there should be more confidence in further USD downside into the next week.

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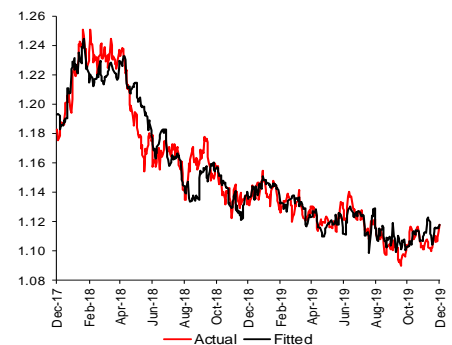
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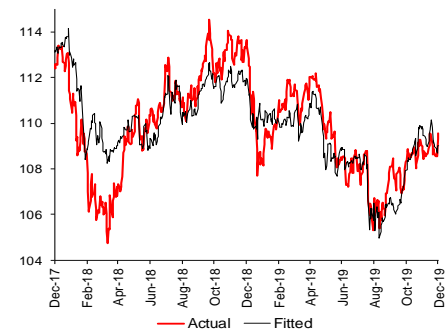
### EUR-USD

**Buoyant.** The EUR-USD lifted higher towards the 1.1200 ceiling, before reversing lower. With the USD on the back-foot, and the UK elections panning out in favour of the Tories, do not rule out another test of the 1.1200 mark. Prefer to collect on dips to 1.1160.



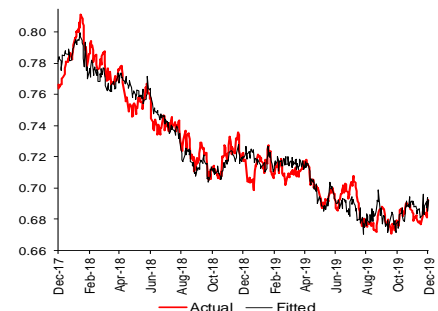
### USD-JPY

**Breaking higher.** The USD-JPY spiked through key resistance levels on the back of alleviating global risk concerns. Barring any reassessment in risk appetite, expect the pair to stay supported, with 109.70 the next northbound target.



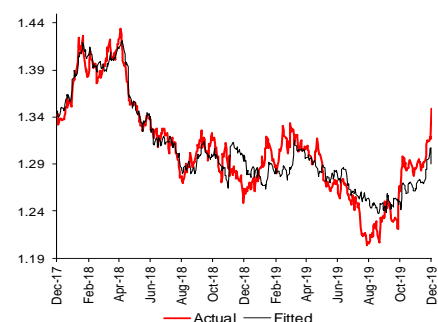
### AUD-USD

**At top end of downward channel.** The AUD-USD bounce stalled near the 200-day MA (0.6911) for now, coinciding with the top end of the downtrend channel. Ongoing risk-on sentiment should support, but we keep a close watch on any reassessment on the risk appetite front.



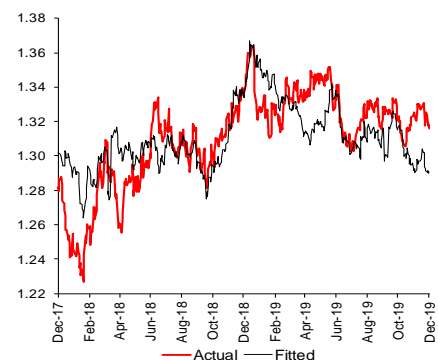
### GBP-USD

**Supported for now.** The election bounce is in full swing for the GBP-USD (and EUR-GBP) at the moment. While we do not rule out further GBP upside in the coming sessions, we prefer not to chase it higher for now, but rather wait for better entry points. Next northbound target comes in at 1.3600, before 1.3800. Downside reversals may be limited to 1.3100 for now.



### USD-CAD

**Range.** A heavy USD should keep USD-CAD under pressure for now. Domestically, Poloz's focus on positive trend in the labour market (as opposed to the latest weak data release) provides support for the CAD. Continue to target downside at 1.3130 in the interim.



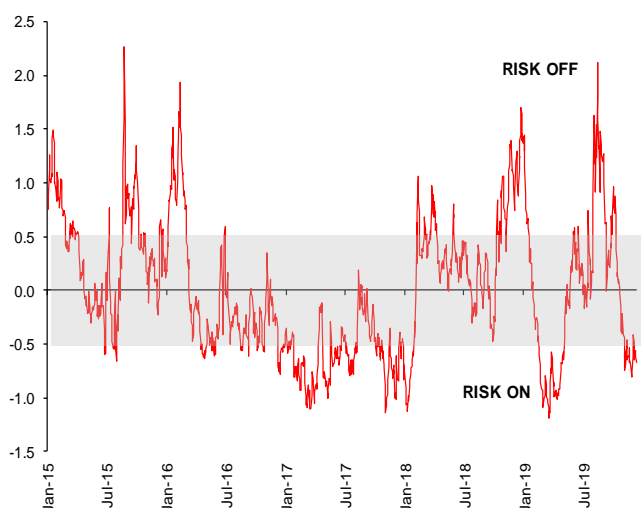
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### Asian Markets

- **USD-Asia:** The USD-CNH slumped lower on the Sino-US developments, consolidating around the 6.9500 mark this morning. A clear positive lead for Asian currencies today, with USD-Asia looking to search lower. In particular, expect USD-North to underperform on this sentiment driven move.
- Going forward, we will be looking for the formal deal agreement to be released to bring proper conclusion to the Phase 1 deal, and for the resultant feel-good factor to translate improvement in the trade and macro front. As mentioned previously, a macro improvement will be required eventually for sentiment-driven Asian FX appreciation to be sustained on a longer term basis.
- **USD-SGD:** Despite weaker than expected local economic prints (retail sales underwhelm), the USD-SGD breached the 1.3560 floor, pushing towards the 1.3520 mark this morning, on global cues. The SGD NEER sailed north of +1.80% above its perceived parity (1.3741) mark at one stage, but this quickly retraced towards +1.65% this morning. With the broad USD directionality imposing itself on the USD-SGD, we expect to see continued downside pressure. **However, +1.80% on the SGD NEER, translating to 1.3500 on the USD-SGD for now, should limit downside extensions.**

### 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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