

Daily Market Outlook

8 January 2020

Market Themes/Strategy

- Investors focused on firmer than expected US ISM non-manufacturing data overnight, and bought back into the broad USD against G10 counterparts. Early Wednesday morning, headlines of Iranian retaliation on US facilities turned the mode sharply back towards risk-off, giving the USD and other haven currencies another boost. Elsewhere, the AUD underperformed across G10 space on both risk-related and idiosyncratic dynamics.
- US-Iran tensions turned up a notch, moving beyond angry rhetoric to actual military action. Knee-jerk reactions were seen through higher crude and gold, and lower S&P 500 futures. **The market may have under-priced the US-Iran tensions prior to this escalation. Moving forward, the key will be whether we see an exchange of hostilities that compels investors towards a sustained Risk-off posture.** The **FX Sentiment Index (FXSI)** remains anchored in the **Risk-On** zone, but the early Wednesday moves may not have been fully reflected in the FXSI just yet.
- Going forward, USD bulls will see reprieve from the US services sector (one of the last hold-outs in the US economy) and the turn towards risk-off.
- For now, investors may be reduced to headline-watching and trading off the risk-on/risk-off dynamic. **The USD-JPY as the most reactive to the evolving situation.** As it stands, expect the pair to be heavy, especially if it dips below the 6 January low at 107.77. **Also expect the broad USD may become favoured again, especially against the likes of the AUD.** The AUD remains hampered not just from the risk-related drivers, but also on increased RBA rate cut expectations following the bush-fires.

Terence Wu

+65 6530 4367

TerenceWu@ocbc.com

Treasury Research

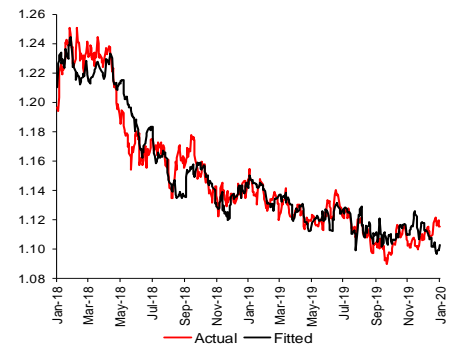
Tel: 6530-8384

Daily Market Outlook

8 January 2020

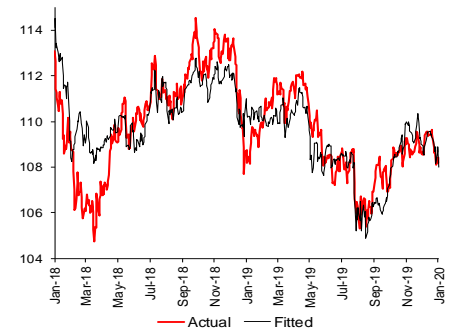
EUR-USD

Heavy within range. The pendulum may swing back in the favour of the USD again after risk-off sentiment took hold and US macro concerns allayed post ISM non-manufacturing data release. Overall, expect the 1.1100 to 1.1200 range to persist for now, pending further clarity on the different drivers.



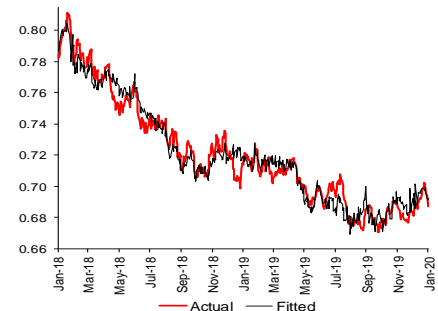
USD-JPY

Headline-driven. Attention shifted back towards the Mideast abruptly on Wednesday morning, with investors now concerned whether the US-Iran tensions may turn out to be more protracted than expected. Expect some implicit heaviness for the USD-JPY as the situation evolves, with the key downside support at 107.70/80. A breach of this floor may point to a deeper retracement towards 107.00. Prefer to sell rallies.



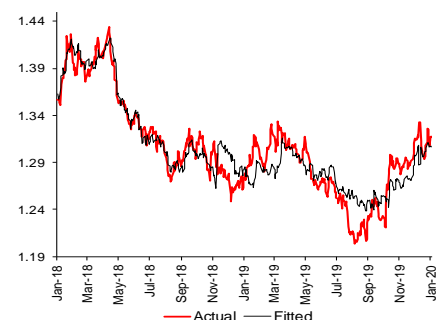
AUD-USD

Heavy. Expect the AUD-USD to stay vulnerable, as the risk-off tone adds to the idiosyncratic concerns in Australia. Short-term implied valuations also tilted lower. With key downside support at 0.6900/20 breached, the next support stands at 0.6850. Bounces may be limited to 0.6900. Prefer to sell rallies on this pair for now.



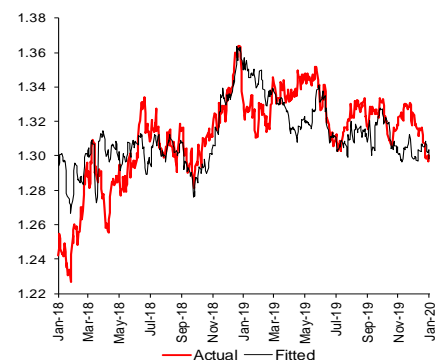
GBP-USD

Trudging a wide range. The GBP-USD dipped on broad based USD strength overnight. On a multi-session horizon, watch for the EU-UK talks on the trade deal post-Brexit. Outcome from this meeting should set the initial tone for the pair. For now, expect the pair to stay heavy on global cues.



USD-CAD

Heavy posture. The bounce higher in USD-CAD is well capped by the 1.3000 mark, and this keeps the pair on a downward trajectory. For now, expect further rebounds to see resistance at 1.3000, then 1.3030.



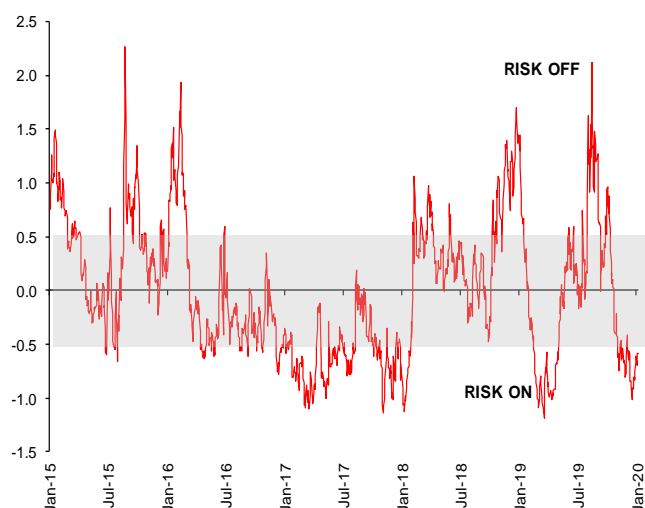
Daily Market Outlook

8 January 2020

Asian Markets

- USD-Asia:** USD-Asia opened higher as expected, on the back of a soft opening in Asian equities and broad risk-off tone. However, a strong USD-CNY mid-point fix supported the RMB complex. Expect the Asian currencies to look to the RMB as an anchor of stability, and with the USD-CNH still stable, we do not expect excessive USD-Asia upside. Nevertheless, look for the INR and KRW to underperform relative to peers.
- USD-SGD:** The USD-SGD tracked Asian counterparts higher, although the bounce appeared to face strong resistance above 1.3520. The lower USD-CNH may instead limit the USD-SGD upside. Nevertheless, if the risk-off mode persists on a multi-session horizon, expect the pair to grind higher alongside Asian peers. In terms of the SGD NEER, the basket stands static at +1.72% above its perceived parity (1.3736), although the NEER-implied thresholds turned higher alongside the broad USD.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1141	1.1155	1.1200	1.1227
GBP-USD	1.3011	1.3100	1.3123	1.3200	1.3343
AUD-USD	0.6821	0.6869	0.6874	0.6896	0.6900
NZD-USD	0.6549	0.6600	0.6638	0.6700	0.6746
USD-CAD	1.2931	1.2952	1.2983	1.3000	1.3175
USD-JPY	108.00	108.06	108.18	108.62	108.92
USD-SGD	1.3451	1.3500	1.3505	1.3578	1.3590
EUR-SGD	1.5009	1.5064	1.5066	1.5100	1.5127
JPY-SGD	1.2467	1.2476	1.2482	1.2500	1.2550
GBP-SGD	1.7666	1.7700	1.7723	1.7800	1.8009
AUD-SGD	0.9233	0.9253	0.9284	0.9300	0.9326
Gold	1500.00	1584.57	1596.30	1600.00	1613.30
Silver	17.31	18.60	18.65	18.70	18.74
Crude	63.95	64.40	64.46	64.50	65.65

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).