

## Daily Market Outlook

9 January 2020

### Market Themes/Strategy

- The broad USD remains on the ascendant on Wednesday, with stronger than expected ADP print providing some support. The shift in risk sentiment away from risk-off after the Iranian strike, the JPY underperformed across the board, while limiting the downside for the AUD. Elsewhere, the EUR was undermined by another weaker-than-expected factory orders print in Germany.
- Overall, the risk-off tone dissipated rather quickly, with the USD-JPY reversing its decline by early London session. The market seemed happy to believe that there will be no further escalation, a stance that was vindicated by Trump's address. Crude and gold reverted to levels before the initial 3 Jan strike, and it is almost like this episode never happened. It remains to be seen if this stance will still be rewarded going forward. **For now, both sides appear happy to signal a step down in tensions, with the market likely to revert to a mild risk-on undertone and move on from the US-Iran episode.** The **FX Sentiment Index (FXSI)** moved deeper into the **Risk-On** zone.
- Going forward, the bias is for a reversion back to a risk-on mode in the next couple of sessions, keeping the USD-JPY and JPY-crosses supported. However, given the uncertainties on the geopolitical front, we prefer to focus on other drivers. For now, we expect the AUD-USD to stay heavy on growing rate cut expectations at the RBA.
- **Trade idea:** Further escalation of US-Iran tensions cannot be fully ruled out after the missile attack on US facilities in Iraq. Domestically, ongoing bushfires are expected to negatively impact the economy, lowering the barriers of an RBA rate cut. In this context, we initiate a **tactical short AUD-USD** on Wednesday, with a spot ref of 0.6872, targeting 0.6728 and placing a stop at 0.6949.

Terence Wu

+65 6530 4367

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Treasury Research**

Tel: 6530-8384

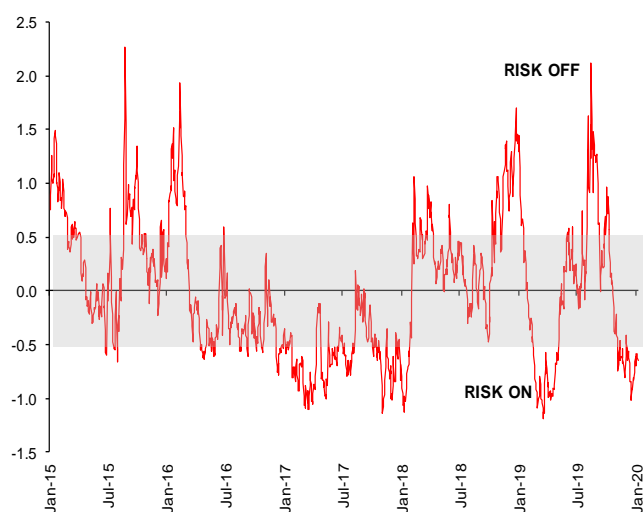
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### Asian Markets

- USD-Asia:** Despite ongoing USD strength within G10 space, the rally in USD-Asia appeared to dissipate early on Thursday. The relative stability of the USD-CNH throughout the US-Iran episode probably anchored the Asian currencies. With the relief rally ongoing after the step-down in tensions, expect the USD-CNH and the USD-Asia to revert to its heavy tone into the end of the week.
- USD-SGD:** The USD-SGD consolidated just north of 1.3500, and may revert to a heavy stance alongside USD-CNH. However, with the SGD NEER basket drifting towards to the top of the band at +1.76% above its perceived parity (1.3742), the downside for the USD-SGD may be limited for now.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1092	1.1100	1.1115	1.1140	1.1200
GBP-USD	1.3014	1.3100	1.3107	1.3200	1.3338
AUD-USD	0.6816	0.6868	0.6870	0.6894	0.6900
NZD-USD	0.6555	0.6600	0.6645	0.6700	0.6746
USD-CAD	1.2952	1.3000	1.3032	1.3100	1.3174
USD-JPY	108.96	109.00	109.21	109.73	110.00
USD-SGD	1.3450	1.3500	1.3502	1.3576	1.3588
EUR-SGD	1.4997	1.5000	1.5007	1.5059	1.5100
JPY-SGD	1.2322	1.2327	1.2363	1.2400	1.2460
GBP-SGD	1.7600	1.7668	1.7697	1.7700	1.7998
AUD-SGD	0.9237	0.9241	0.9276	0.9300	0.9324
Gold	1487.47	1500.00	1557.30	1581.40	1600.00
Silver	17.30	18.10	18.16	18.20	18.67
WTI	58.38	59.15	60.20	63.29	65.65

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## Trade Ideas

	Inception	B/S	Currency	Spot/Outright	Target	Stop	Rationale	
	TACTICAL							
1	08-Jan-20	S	AUD-USD	0.6872	0.6728	0.6949	Risk-off sentiment on US-Iran tensions; Heightened RBA rate cut expectations	
	STRUCTURAL							
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	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
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## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Research & Strategy

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

Malaysia & Indonesia

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Terence Wu**

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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