

Daily Market Outlook

12 February 2020

Market Themes/Strategy

- Broad USD saw some consolidation, with the DXY index easing falling 6 consecutive sessions of gains. COVID-19 fears also eased somewhat. Global equities and core yields were firmer on the day (although US equities faded gains intraday). The **FX Sentiment Index (FXSI)** fell within the Risk-Neutral zone, pushing near the Risk-On boundary yet again. Improvement in risk kept the cyclicals supported. The AUD and NZD outperformed, while the JPY is flat against the USD.
- In Europe, UK data prints came in mixed. Preliminary 4Q 2019 GDP print outperformed expectations, but it was negated by soft industrial and manufacturing production prints. Overall, the directional cue for the GBP from the data front remains somewhat diffused. Nevertheless, the soggy USD saw the EUR-USD and GBP-USD bouncing higher overnight.
- Powell's testimony at the House committee did little to shift market expectations on the Fed's rate trajectory. **Expect the Fed to be on a holding stance in the coming meetings, but with an easing bias that may accelerate in 2H 2020.** Meanwhile, the **ECB's stance remains that the current accommodative policy will persist, but with Lagarde pushing for more fiscal support.** Early Wednesday, the RBNZ boosted antipodeans, choosing to downplay the permanence of the COVID-19 impact and signaling the end of its rate cut cycle.
- We have been on the risk-negative camp for most part of the coronavirus episode, and that view has guided our trade recommendations thus far. However, we note a persistent lack of impetus to push risk sentiment closer towards outright Risk-Off zone in the **FX Sentiment Index (FXSI)**. This does not give confidence to our ongoing pessimistic view.
- **On net, we remain negative on risk, and expect the EUR and AUD to remain heavy in the immediate horizon. Going forward, however, we look to start shifting out of our risk-negative bias towards a more neutral stance.**

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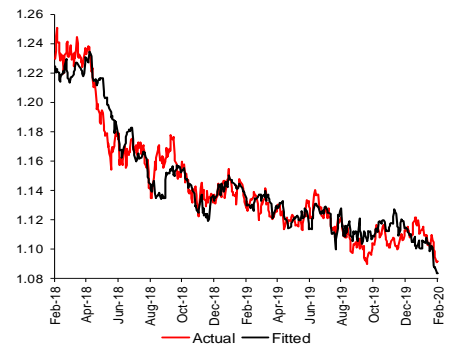
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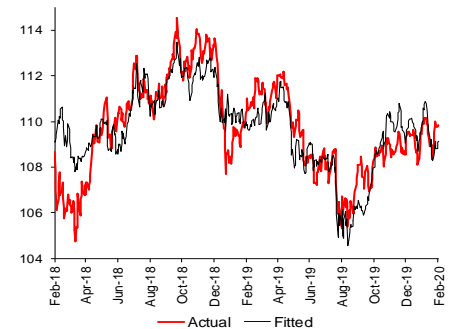
EUR-USD

Heavy. Slight bounce in the EUR-USD overnight is unlikely to be sufficient to shake the pair out of its heavy bias. The dip to 1.0892 gives confidence that the downward trend may still persist. For now, expect 1.0890 to implicitly attract, while any bounce should be capped at 1.0930.



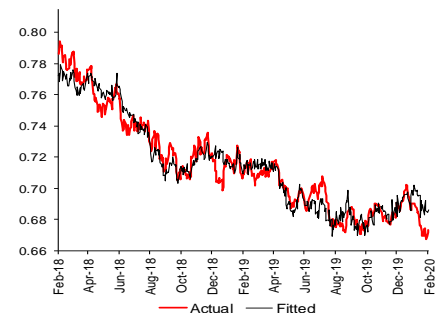
USD-JPY

Topside capped. Upside momentum stalled after consolidation south of 110.00/10. Short term implied valuations picked up slightly, but remain a negative weight on the pair. We see first support level at around 109.50/70. A breach of that level may spark a deeper correction.



AUD-USD

Southbound. The AUD-USD bounce is extended after a hawkish hold by the neighbouring RBNZ early Wednesday. Firmer resistance should enter at 0.6750, before 0.6780. The inability to break through these levels on the bounce will reinforce southward momentum.



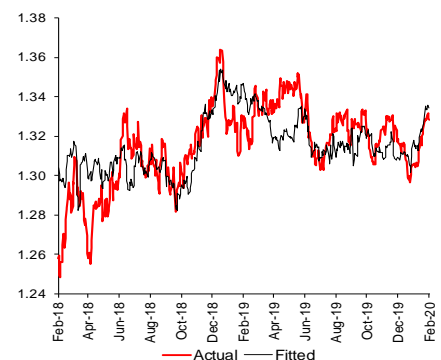
GBP-USD

Range. The GBP-USD continued to ease higher back into range. Ability to sustain above 1.2900 should give rise to sufficient momentum for it to move into the middle of the 1.2900 to 1.3300 range. Near term northbound targets at 1.3000 and 1.3066, while support enters at 1.2900.



USD-CAD

Consolidate. Domestic data is supportive of the CAD, with building permits stronger than expected. Short term implied valuations have flat-lined, and may turn south from here. If the USD-CAD breaks southwards, expect the first waypoint at 1.3200.



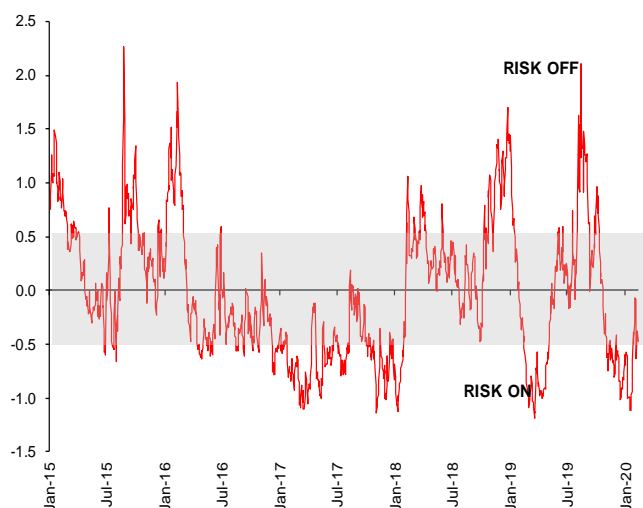
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Asian Markets

- **USD-Asia:** Firm EM FX and equities, and a risk-positive tone should provide Asian currencies with another positive lead today. Keep a close watch on whether the likes of USD-CNH and USD-KRW breaks lower from its support levels (6.9600 and 1175.00 respectively). We think there is little impetus for such a move for now.
- **USD-SGD:** On the SGD front, expect the consolidation lower in USD-Asia and soggy USD overnight to allow the USD-SGD to ease further south of 1.3900. Expect 1.3860 to 1.3890 range to govern the pair for now. The SGD NEER is steady at around -0.23% below the perceived parity (1.3833), with implied USD-SGD thresholds easing lower.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0938	1.0942	1.0952	1.1000	1.1096
GBP-USD	1.2881	1.2887	1.2899	1.2900	1.3078
AUD-USD	0.6660	0.6700	0.6701	0.6800	0.6857
NZD-USD	0.6395	0.6400	0.6413	0.6500	0.6503
USD-CAD	1.3200	1.3223	1.3296	1.3300	1.3321
USD-JPY	109.00	109.25	109.83	110.00	110.29
USD-SGD	1.3671	1.3800	1.3893	1.3900	1.3905
EUR-SGD	1.5200	1.5203	1.5216	1.5254	1.5263
JPY-SGD	1.2600	1.2615	1.2650	1.2700	1.2750
GBP-SGD	1.7743	1.7900	1.7920	1.8000	1.8043
AUD-SGD	0.9300	0.9302	0.9309	0.9355	0.9380
Gold	1524.13	1542.09	1568.60	1586.27	1600.00
Silver	17.54	17.60	17.69	17.70	18.21
WTI Crude	45.33	48.00	50.20	56.93	57.58

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Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target	Stop	Rationale
	TACTICAL							
1	31-Jan-20		S	EUR-USD	1.1027	1.0880	1.1104	EZ data-prints still a mixed bag; risk-off environment favours the USD.
2	05-Feb-20		S	AUD-USD	0.6750	0.6604	0.6822	Fade less-than-dovish RBA bounce; ongoing risk recovery may be on shaky grounds
	STRUCTURAL							
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	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	20-Jan-20	27-Jan-20	B	USD-JPY	110.19	108.98	Persistent risk-on sentiment; UST yields supported on the downside, curve with steepening bias	-1.08
2	08-Jan-20	30-Jan-20	S	AUD-USD	0.6872	0.6728	Risk-off sentiment on US-Iran tensions; Heightened RBA rate cut expectations	+2.19

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