

Daily Market Outlook

13 January 2020

Market Themes/Strategy – The week ahead

- Data weakness (Dec NFP miss, Nov reading revised lower, soft average hourly wages) hampered the broad USD on Friday, taking the sails out of the USD rebound. The AUD outperformed on a broad risk-on tone.
- The GBP, however, was the main underperformer as BOE's Vlieghe voiced further dovish comments on Friday. This makes three BOE speakers, including Governor Carney, leaning dovish over the past week, excluding the usual doves in the committee. With a unified easing message, we do not rule out a rate cut within the next 1-2 BOE MPC meetings. The gilt curve stepped lower in response, and **we expect the GBP to stay on the heavy side as well, with the 1.3000 perhaps attracting for now.**
- Despite a mixed session of global equities, and global core yield curves edging lower, the overall mood remained positive at the start of the week. The **FX Sentiment Index (FXSI)** sank yet deeper within the **Risk-On** zone. With the US earnings season starting this week, expect that to hold some sway on overall risk sentiment.
- The investment community took a big step against the USD seen in the latest round of **CFTC** data release. Non-commercial and leveraged accounts cut down their implied long USD bias aggressively, while the asset managers also deepened their implied short USD bets.
- The calendar is relatively quiet in terms of US/EU data, with US CPI (Tue) and retail sales (Thu), and Eurozone CPI (Thu) the main releases to watch. However, a heavy schedule of Fed speakers is slated throughout the week.
- Overall, with the exception of the GBP (which still looks heavy against the USD), the other major pairs appear to be turning against the USD. With the DXY index stalling near 97.50/70, **we prefer to position ourselves for the return of USD weakness, especially against EUR, for now.**

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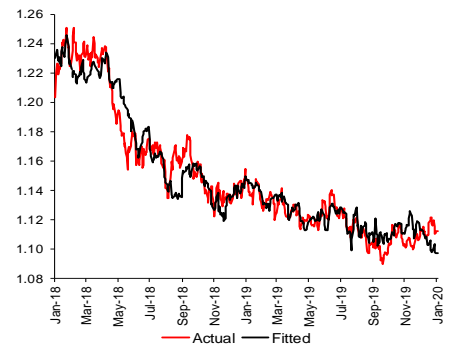
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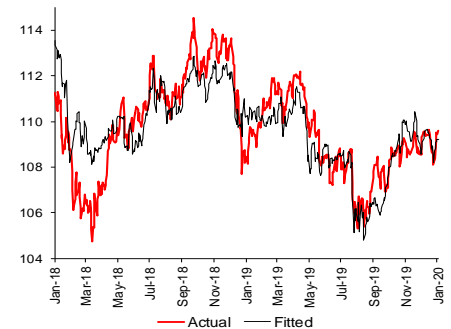
EUR-USD

Potentially turning higher. The EUR retains a heavy tone for now, but the softer than expected NFP print imparted some buoyancy on the EUR-USD. Continue to look to relative macro cues for directionality on this pair, and we do not rule out a turn higher. With the 1.1080 base looking firm, we prefer to buy on any dip towards 1.1100, targeting 1.1180/00 for now.



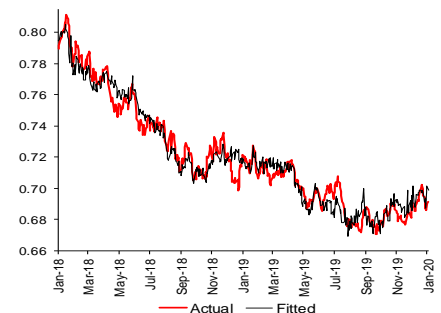
USD-JPY

Testing resistance. The overall risk environment has switched back to the underlying risk-on mode, providing an implicit uplift to the USD-JPY for now. Nevertheless, the pair faces resistance at 109.70/80. A breach of that level may see further upside extension.



AUD-USD

Supported. A swift turnaround in global risk sentiment, and firm retail sales data provided some uplift for the AUD-USD. Downside floor is firm at 0.6850, and there is room for a further upside test of 0.6950. However, any extension towards 0.7000 should see good sellers.



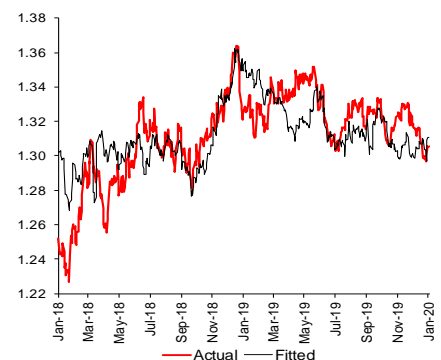
GBP-USD

Trudging a wide range. The shift of the BOE committee members towards the dovish end of the spectrum will weigh on the GBP-USD going forward. Couple this with a lack of progress in the EU-UK trade talks, we may see some implicit heaviness on this pair, with 1.3000 perhaps attracting for now.



USD-CAD

Supported. The USD-CAD may see some consolidation around the 1.3050/60 mark. Breaching that level brings 1.3100/20 into the picture.



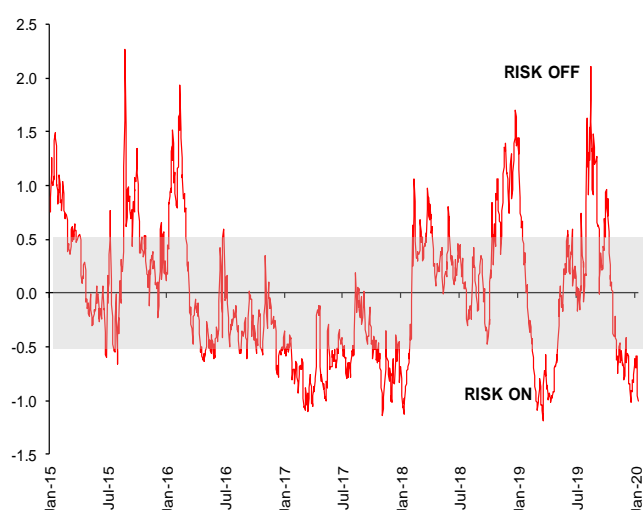
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Asian Markets

- **USD-Asia:** With the USD-CNH pressing towards the 6.9000 mark, and the risk-on tone back in the forefront, expect USD-Asia to stay heavy early week, at least until we see headlines from the Liu He's trip to the US, and Phase 1 deal. Any mention of Phase 2 talks may keep the RMB and other Asian currencies further supported. Elsewhere, expect the market to take cues from the **Bank Indonesia's** (BI) change in stance on the **IDR**, and push the USD-IDR southwards towards 13500.
- The Asia data calendar is heavy this week, centred on a round of trade prints across Asia. Note that trade remains the main hold-back from the stabilization/recovery theme in Asia. **Bank of Korea** meeting also scheduled on Friday, with a hold expected.
- On the **EPFR** front, note that implied bond and equity inflows into Asia (ex. JP, CN) has been strong on a rolling 4-week basis. Implied equity inflow momentum into China is also accelerating higher. For now, we watch if this can be translated to the actual portfolio flows.
- **USD-SGD:** The USD-SGD saw limited headway above the 1.3500, and the pair retreated south of that level. In terms of the SGD NEER, the basket stands static at +1.72% above its perceived parity (1.3704), with the NEER-implied thresholds lower to start the week. If the broad USD continues to soften, expect the pair to re-test the 1.3450 lows this week.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1091	1.1100	1.1122	1.1139	1.1200
GBP-USD	1.3000	1.3019	1.3035	1.3100	1.3253
AUD-USD	0.6892	0.6900	0.6911	0.7000	0.7031
NZD-USD	0.6561	0.6600	0.6640	0.6700	0.6744
USD-CAD	1.2952	1.3000	1.3054	1.3100	1.3170
USD-JPY	109.00	109.02	109.62	109.71	110.00
USD-SGD	1.3442	1.3445	1.3471	1.3500	1.3572
EUR-SGD	1.4962	1.4974	1.4983	1.5000	1.5053
JPY-SGD	1.2200	1.2230	1.2289	1.2295	1.2300
GBP-SGD	1.7500	1.7501	1.7559	1.7600	1.7669
AUD-SGD	0.9245	0.9300	0.9310	0.9322	0.9400
Gold	1490.10	1500.00	1557.80	1590.15	1600.00
Silver	17.31	18.00	18.07	18.10	18.68
WTI Crude	58.38	59.15	59.02	59.10	63.30

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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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