

Daily Market Outlook

14 February 2020

Market Themes/Strategy

- A slight risk-off tinge followed a spike in new Covid-19 cases in China due to a new detection methodology. Global equities closed in the red, and global core yields (except gilt yields) easing lower. However, commodities space still traded risk-on. Overall, The **FX Sentiment Index (FXSI)** moved higher within Risk-On zone, signalling a slight worsening of overall sentiment.
- In that context, the broad USD continued to push higher against most G10 counterparts. The DXY index closed above the 99.00 mark. The JPY also expectedly outperformed within the risk-off context. The GBP is the main outperformer. The reshuffling of ministers was interpreted as a potential loosening of the fiscal taps, and a subsequent boost in the economy. **Going forward, we continue to bounce economic cues against EU-UK trade talks for overall GBP directionality.**
- Apart from reacting to the shifting risk sentiment, we continue to **bounce off Eurozone data against the US data to gauge the longevity of the USD strength.** Yesterday, German CPI was in-line with expectations, while US CPI prints were mixed to firmer. For today, watch for preliminary 4Q 2019 prints out of the Eurozone (starting 0700 GMT), and US retail sales (1330 GMT) and industrial production (1415 GMT).
- At this juncture, **the risk-on / risk-off theme appears somewhat exhausted, with any turn in the risk sentiment to either side getting very limited traction overall.** The USD-JPY and AUD-USD continues to ply within narrow ranges. Fading the post-RBNZ bounce in the NZD may be a better way to express risk-off bias for now. **The theme that appears more durable is USD strength**, and this appears best expressed by staying negative on the EUR, with 1.0800 potentially attracting on a multi-session horizon. **Combining the themes, another play worth considering might be to short EUR-JPY for now.**

Terence Wu

FX Strategist

+65 6530 4367

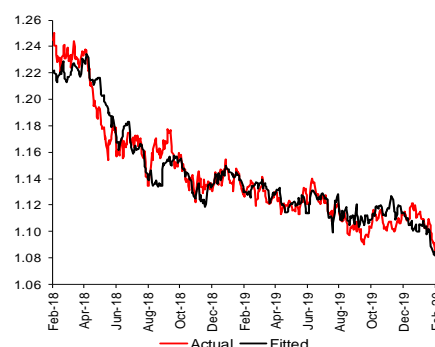
TerenceWu@ocbc.com

Treasury Research

Tel: 6530-8384

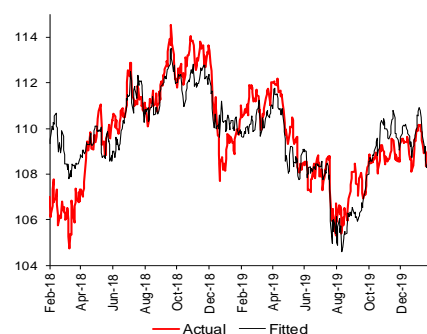
EUR-USD

Heavy. The EUR-USD continued to capitulate lower, with the 1.0800 now within sight. Spot movement has however caught up with the short term implied valuations. We do not rule out a short rebound to 1.0860 in the near term, but that should be short lived.



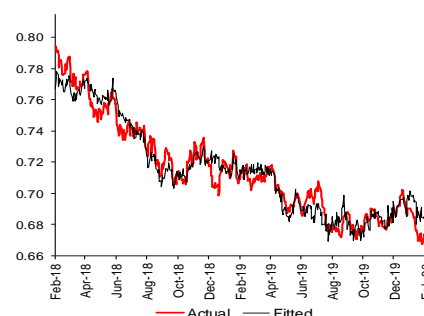
USD-JPY

Topside capped. The USD-JPY remains largely range-bound between 109.60 and 1.1010. Stronger catalysts still required to break the pair out of the range. Short term implied valuations point for a softer USD-JPY.



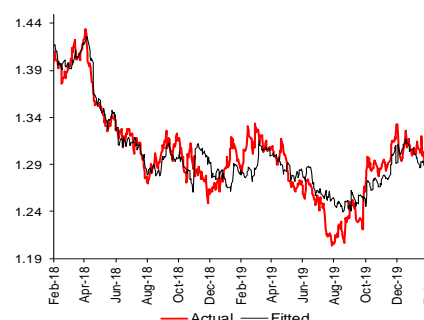
AUD-USD

Southbound. Lack of outright risk-off capitulation kept the AUD-USD within a narrow range. Continue to expect a 0.6700 to 0.6770 range in the interim, pending new drivers.



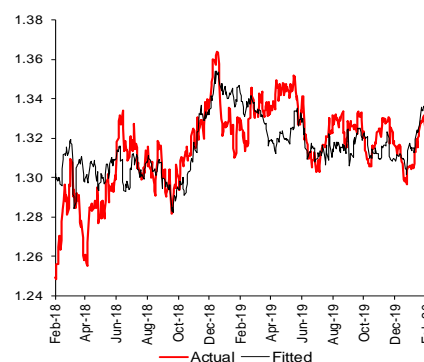
GBP-USD

Bottomed for now. Even as short term implied valuations ease lower, the GBP-USD continued to move towards the midpoint of the 1.2900 to 1.3300 range on expected fiscal stimulus. Expect the 1.3100 to implicitly attract for now. Dips to be limited to 1.3000.



USD-CAD

Ease south. Short term implied valuations have continued to move south, although the USD-CAD spot itself stalled near 1.3240. Continue to expect a downside bias for now, with topside resistance at 1.3270/80.



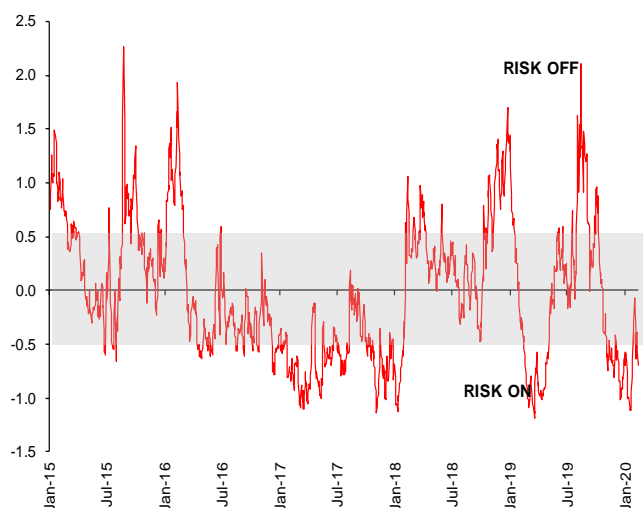
Daily Market Outlook

14 February 2020

Asian Markets

- USD-Asia:** Ongoing USD strength has bled into Asian currencies, with USD-Asia mostly firmer yesterday. With the slight tilt towards risk-off, expect USD-CNH and USD-KRW to edge higher towards the top of their recent range, and potentially lead the rest of USD-Asia higher. However, we still see no indication that the pairs should break through the current range. On a multi-session horizon, we think this leaves USD-Asia as a whole still contained near current levels.
- USD-SGD:** The SGD NEER softened to around -0.33% below the perceived parity (1.3848). At this juncture, the SGD may be more vulnerable to USD strength on a multi-session, especially if the sentiment worsens. For one, the topside resistance for the USD-SGD is not as evident as the USD-CNH and USD-KRW. Expect consolidation around 1.3900, with an upside bias. -0.50% and -1.00% below the parity level is estimated at 1.3918 and 1.3988 respectively.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0827	1.0835	1.0836	1.0900	1.1078
GBP-USD	1.2877	1.3000	1.3045	1.3071	1.3100
AUD-USD	0.6660	0.6700	0.6724	0.6800	0.6847
NZD-USD	0.6378	0.6400	0.6435	0.6500	0.6530
USD-CAD	1.3200	1.3219	1.3261	1.3300	1.3329
USD-JPY	109.00	109.34	109.81	110.00	110.29
USD-SGD	1.3676	1.3800	1.3896	1.3900	1.3923
EUR-SGD	1.5000	1.5052	1.5058	1.5100	1.5199
JPY-SGD	1.2600	1.2620	1.2654	1.2700	1.2730
GBP-SGD	1.7760	1.8100	1.8127	1.8153	1.8165
AUD-SGD	0.9300	0.9302	0.9344	0.9376	0.9380
Gold	1530.79	1548.57	1575.10	1586.29	1600.00
Silver	17.59	17.60	17.65	17.70	18.16
WTI Crude	49.31	51.40	51.48	51.50	56.67

Daily Market Outlook

14 February 2020

Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target	Stop	Rationale
	TACTICAL							
1	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
2	12-Feb-20		S	USD-CAD	1.3284	1.3073	1.3387	Risk sentiment not falling off cliff; CA macro prints firm; potential turn in crude
	STRUCTURAL							
	---			---				---
	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
3	31-Jan-20	12-Feb-20	S	EUR-USD	1.1027	1.0880	Risk-off sentiment on US-Iran tensions; Heightened RBA rate cut expectations	+1.43

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).