

Daily Market Outlook

14 January 2020

Market Themes/Strategy

- A broad risk-on sentiment continues to permeate the market. The JPY underperformed against this Risk-On backdrop, while the USD also retains a slightly soft posture. Weighted down by weaker than expected data releases, the GBP-USD slipped below the 1.3000 mark, before bouncing and consolidating just south of that level. For now, we expect the next downside support for the pair at 1.2900/10.
- Although global equities were somewhat mixed with EU in the red, the S&P500 is at yet another record high and UST yields edged higher across the curve. Expect US earnings season starting today to set the tone going forward. The **FX Sentiment Index (FXSI)** held deep within the **Risk-On** zone. Note of caution though, is that the FXSI is looking extended, approaching levels that typically see a retracement.
- On the Fed front, latest comment from Bostic suggests preference to back off and let the economy run the course. Rosengren, however, continued to sound out against risks of higher inflation. In that context, watch US CPI prints later today (1330 GMT).
- Overall, the broad risk-on tone leans against the USD for now, and we prefer to reflect that through a firmer EUR-USD. Elsewhere, expect the GBP to remain under pressure, with the next support level at 1.2900/10 perhaps beckoning.

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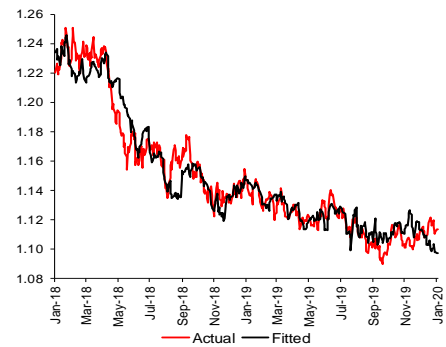
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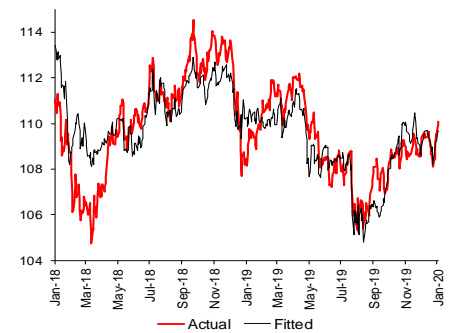
EUR-USD

Potentially turning higher. The EUR-USD stayed buoyant amid the risk-on sentiment. Expect the pair to stay relatively supported for now. We still prefer a buy on dips stance, targeting 1.1180/00 for now.



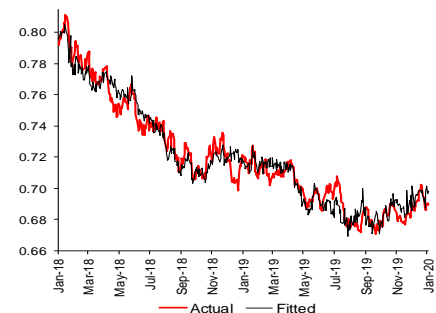
USD-JPY

Breaking out? With the pair taking out resistance levels at 109.70/80, there may be scope for further extension higher towards 110.60/70. With short term implied valuations and risk reversals in support, we prefer a tactical buy on dips stance for now.



AUD-USD

Supported. The AUD-USD eased back below the 0.6900 early on Tuesday morning. The support level remains at 0.6850, a level that must be breached below a reversion to a downtrend for the pair.



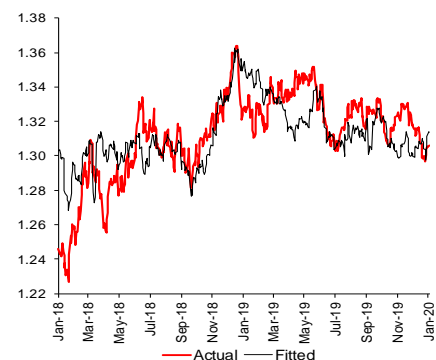
GBP-USD

Heavy within range. Softer than expected industrial and manufacturing production prints piled further downside pressure on the GBP-USD. With the pair can sustain below the 1.3000, the next level of support at 1.2900/10 may beckon.



USD-CAD

Supported. Short term implied valuations for the USD-CAD turned higher, with also basing out and looking to turn higher. Expect ongoing consolidation, with an upside bias, for now.



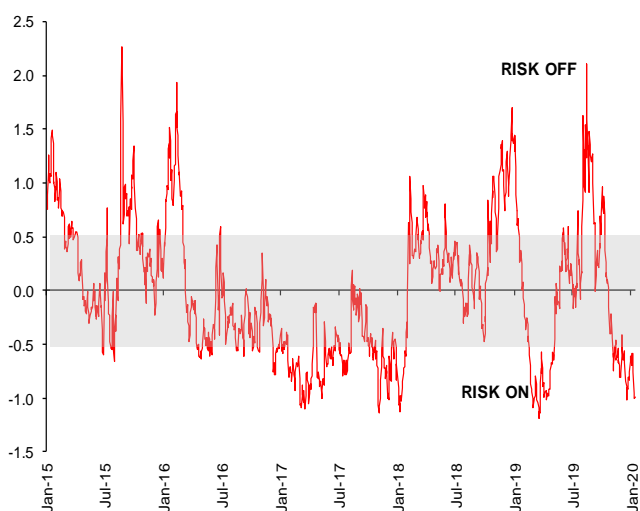
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Asian Markets

- USD-Asia:** USD was heavy across Asia yesterday, with the CNH and IDR leading gains against the greenback. Note that the CFETS RMB Index has tracked the RMB's gain against the USD, moving clear of the 92.00 handle. **Going forward, with the Phase 1 deal in the bag, further RMB appreciation will have to come from actual macro improvement or any signals towards a Phase 2.** While a further extension towards 6.8000 cannot be ruled out for now, there may potentially be some consolidation within the 6.8500-6.9000 range.
- Overall, expect USD-Asia to retain a heavy stance intraday. However, most USD-Asia pairs, with the exception of IDR, INR and TWD, are at/near support levels, and that may curtail downside momentum. Prefer to back the **IDR** at this point, with a diverse range of positives, such as the tacit approval for the appreciation bias from BI and the uptick in inflow momentum on the bond and equity fronts.
- In terms of **actual portfolio flows**, inflow momentum is accelerating higher in both South Korea and Indonesia, with both bonds and equities benefitting. Equity outflow momentum moderated significantly towards neutral level in Malaysia. There is background support for the KRW, IDR and MYR from the flows environment, but the other Asian currencies may still be running on sentiment for now.
- USD-SGD:** The USD-SGD is heavy alongside Asian peers, with the pair testing 1.3450 on the downside as expected. For now, any bounce may be limited to 1.3470/80. The SGD NEER basket stands static again at +1.72% above its perceived parity (1.3700), with the NEER-implied thresholds edging lower.

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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