

## Daily Market Outlook

16 January 2020

### Market Themes/Strategy

- USD retains a slightly weak posture overall, softening mostly against the European complex. The GBP rose on the back of short-covering, despite more dovish comments from BOE and CPI misses. As it stands, the BOE rate cut expectations for the 30 Jan meeting continues to build. Elsewhere, the USD-JPY remains anchored at the 110.00 mark, with the heavy UST yields possibly limiting the upside.
- The Sino-US Phase 1 deal is finally done and dusted. Remnant concerns persist (structural economic issues not addressed, targets realistic?), but the hint of Phase 2 starting soon probably supported sentiment somewhat. Across the different asset classes, slight gains in global equity markets perhaps suggest a risk-on tinge. This is offset by global core yield curves easing lower across the board (gilt and ACGB curves leading the way on their respective idiosyncratic drivers) and the commodities space trading risk-off. Overall, the **FX Sentiment Index (FXSI)** ticked higher inside the **Risk-On** zone, denoting a slight reduction in overall positivity.
- Overall, the market is probably still digesting the implications of the Phase 1 deal and feeling for the next steps. **For now, it seems that the underlying risk-on tone will not be shaken out just yet.** If so, expect the USD and JPY to still remain heavy). Nevertheless, we prefer a wait-and-see posture for now, before taking the next steps. In the interim, expect G10 space to be still moving within a narrow range.
- On the calendar, watch for German CPI (0700 GMT) and US retail sales (1330 GMT). The central bank schedule will focus on the ECB, with the release of the accounts of the Dec meeting (1260 GMT) and comments from Lagarde (1800 GMT) expected.

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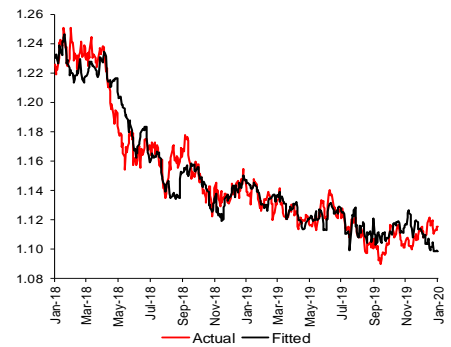
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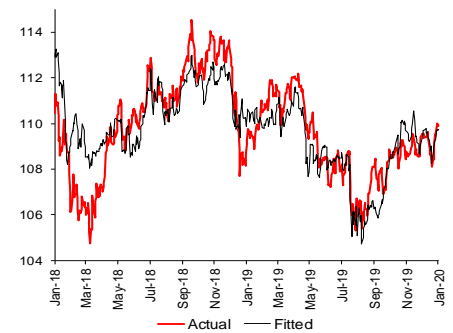
### EUR-USD

**Range.** The EUR-USD continued to firm as the risk-on sentiment undermines the broad USD somewhat. For now, there may be room for a further upside tilt towards 1.1180/90.



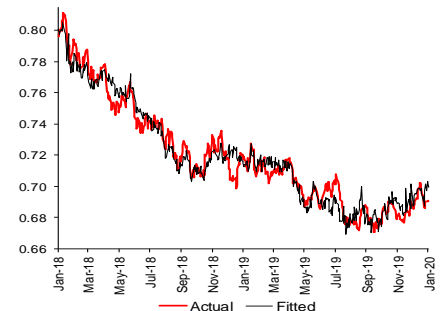
### USD-JPY

**Breaking out?** The USD-JPY continues to struggle in the vicinity of 110.00, with soft back-end UST yields working against further upside. Nevertheless, the underlying risk-on sentiment still persists, and provides support for the pair. Continue to see sideways movement between 109.80 or 110.20 for now.



### AUD-USD

**Supported.** The AUD-USD will remain in a sideways posture so long as the 0.6880-0.6920 range holds. Short term implied valuation continues to point higher for now.



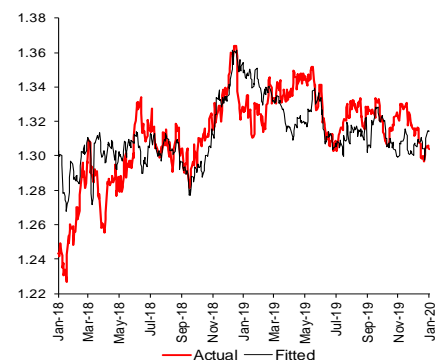
### GBP-USD

**Heavy within range.** Despite more BOE dovish rhetoric and underperforming UK CPI, the GBP-USD surfaced back above 1.3000 on the back of some short-covering. Any further upside extension should find limited traction towards 1.3100 for now.



### USD-CAD

**Supported.** The USD-CAD turned lower after approaching 1.3080 on the topside, even as short term implied valuations continue to turn higher. Downside support in the near term enters at 1.3030.



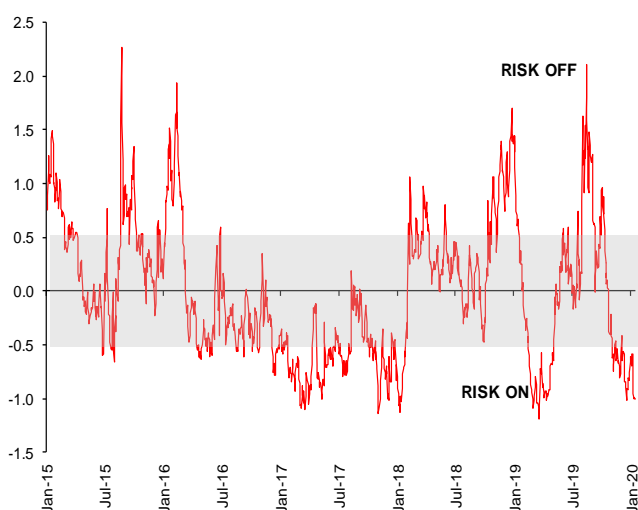
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### Asian Markets

- USD-Asia:** The bounce in USD-Asia yesterday on the back of initial disappointment over the details of the Sino-US Phase 1 did not see much traction, and effectively petered out within the Asian session. Thus, the heavy stance on USD-Asia is largely intact. Nevertheless, sentiment-driven Asian FX gains may take a pause for now, with the USD-CNH looking to consolidate within the 6.8600 – 6.9100 range. Look for currencies with better inflow dynamics (ie Indonesia) to outperform in the short term. Focus will shift to macro improvement.
- In that context,** note that Indonesian Dec exports expanded marginally on a yoy basis, against a consensus for a contraction. The trade balance also turned in a smaller than expected deficit. Tracking the trade balance on a 6-month MA basis shows consistent improvement throughout 2019. Similarly, the current account deficit (as % of GDP) is also stable over the past 4 quarters. We think these fundamental improvements give credence to the recent appreciation in the IDR.
- USD-SGD:** The SGD NEER touched an estimated +1.80% above parity (1.3712) early Thursday, before easing to +1.75%. We retain the view that there is limited justification for the SGD NEER to sustain above the +1.80% above parity mark (currently translating to 1.3455 on the USD-SGD). Thus, we expect buyers to support the USD-SGD near 1.3450 levels, limiting downside for now.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1094	1.1100	1.1129	1.1138	1.1200
GBP-USD	1.2905	1.3000	1.3022	1.3024	1.3100
AUD-USD	0.6821	0.6850	0.6900	0.7026	0.7032
NZD-USD	0.6571	0.6600	0.6610	0.6700	0.6739
USD-CAD	1.2952	1.3000	1.3068	1.3100	1.3166
USD-JPY	109.00	109.06	109.94	110.00	110.21
USD-SGD	1.3434	1.3445	1.3475	1.3500	1.3567
EUR-SGD	1.4962	1.4964	1.4996	1.5000	1.5051
JPY-SGD	1.2213	1.2243	1.2256	1.2300	1.2441
GBP-SGD	1.7458	1.7500	1.7547	1.7600	1.7669
AUD-SGD	0.9239	0.9245	0.9297	0.9300	0.9319
Gold	1491.26	1500.00	1547.10	1591.96	1600.00
Silver	17.30	17.70	17.78	17.80	18.62
WTI Crude	58.38	59.15	58.11	58.20	58.88

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### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target	Stop	Rationale	
<b>TACTICAL</b>							
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	
<b>STRUCTURAL</b>							
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<b>RECENTLY CLOSED TRADE IDEAS</b>							
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
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