

## Daily Market Outlook

22 January 2020

### Market Themes/Strategy

- The USD is mostly firmer within the G10 space. The GBP outperformed, drawing support from a set of in-line to firmer UK employment prints. The EUR was also relatively resilient after stronger than expected prints in the German ZEW survey. JPY also gained against the greenback on the tip towards risk off.
- Risk sentiment saw an abrupt turn in the Asian session yesterday on the Wuhan situation. Compounded by USTs leading global core yields lower and global equities in the red. The **FX Sentiment Index (FXSI)** took a step closer to the risk-neutral zone, denoting a deterioration of risk appetite, but nevertheless still within the **Risk-On** zone.
- Despite the risk-off tilt, **the impact of the Wuhan situation within the G10 FX space was still relatively limited**. Major pairs remained within familiar ranges (with the exception of the AUD-USD, which slipped south of the 0.6850 support). The USD-JPY and the JPY-crosses expectedly got the most attention, but overall response is still muted. Expect the USD-JPY to stay heavy in the interim (note firmer front-end implieds), but broader directionality may be elusive if the 109.70 – 110.30 range remains intact.
- Going forward, if the risk-off sentiment persists, also expect the USD to be favoured. Prefer to express that through a softer AUD-USD, with its stronger correlations with the RMB and decidedly lower front-end risk reversals.
- The data calendar is relatively light in US and Europe. Focus instead on Canada, with the **Bank of Canada** (1500 GMT) and CPI prints (1330 GMT) scheduled.

**Terence Wu**  
+65 6530 4367  
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

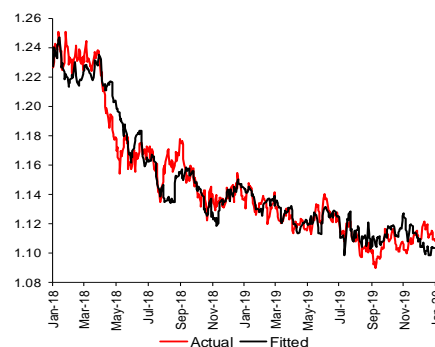
**Treasury Research**  
Tel: 6530-8384

## Daily Market Outlook

22 January 2020

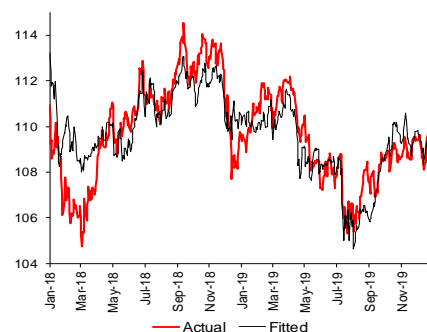
### EUR-USD

**Heavy.** A firmer than expected German ZEW survey was offset by the risk-off sentiment, keeping the EUR pressured to the downside. Expecting a slow grind lower for now, as investors look for new cues from the ECB meeting (Thu). If the 1.1080 support is breached intraday, watch for 1.1050. Any bounce should be kept at 1.1100.



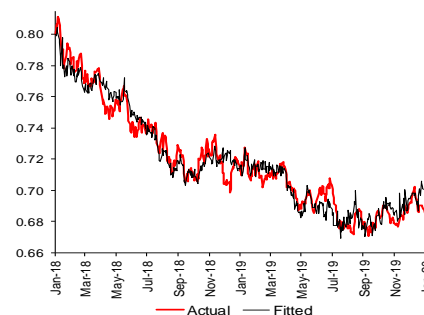
### USD-JPY

**Upside momentum curtailed.** Expect the USD-JPY to retain a heavy tone, with overall mood beholden to the Wuhan situation for now. Nevertheless, the established range is still holding, leaving us with no firm guide to broader directionality. Continue to eye the 109.80 – 110.20 range for now.



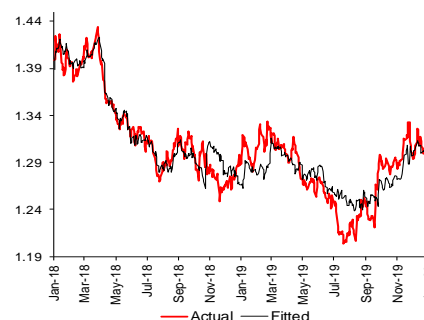
### AUD-USD

**Southbound.** The AUD-USD slipped south of the 0.6850 support, with soft domestic consumer sentiment compounding global cues. Eye 0.6820 as an immediate target, with firmer support at 0.6800. Note that short term implied valuations are also turning south.



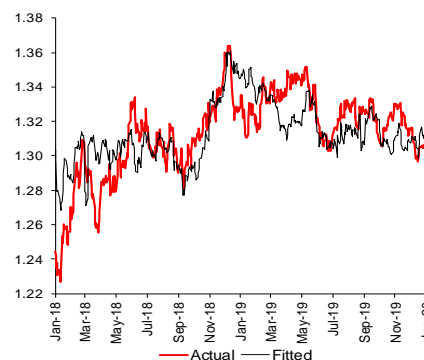
### GBP-USD

**Heavy within range.** Firmer than expected employment data forced the market to cut back on BOE rate cut expectations. Expect the pair to be governed by shifting BOE expectations for now, ahead of the actual meeting next week. For now, expect 1.3000 to inherently attract.



### USD-CAD

**Sideways.** The USD-CAD slipped ahead of the BOC meeting later today, with investors looking for any cues from the BOC that it is shifting towards the accommodative end of the spectrum. The BOC has mostly held firm amid the easing bias across the major central banks, and that has kept the CAD relatively supported.



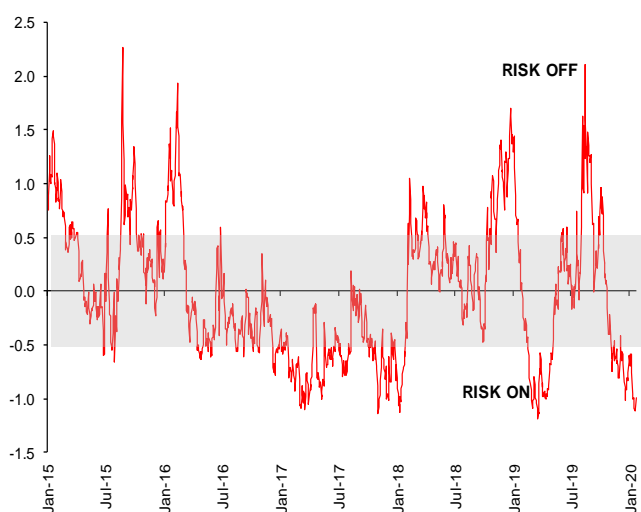
## Daily Market Outlook

22 January 2020

### Asian Markets

- USD-Asia:** USD-Asia in a rally higher under the lead of the USD-CNH. The bearish bias for USD-CNH reversed quickly over the past two sessions – a move we think goes beyond a typical retracement higher. The Wuhan situation may come in as a direct risk for the RMB complex (CFETS Index also stepped lower). **With overnight EMFX and equities in the red, the lead-in for Asian currencies will be negative today. However, with domestic cues supportive, expect the IDR to outperform Asian peers in the coming sessions.**
- Advance readings for 4Q 2019 GDP in Taiwan and South Korea both beat expectations, yet another sign of Asian macro regaining momentum. Track the relative performances in Taiwan and Korea this year. BNM policy decision (0700 GMT) – no change expected. Thai exports expected today (0330 GMT).
- In terms of **actual portfolio flows**, the IDR and MYR are still favoured on strong bond and equity inflow momentum respectively. Elsewhere, equity inflows into India also looked to be searching higher.
- USD-SGD:** The USD-SGD stayed buoyant, in-line with the USD-CNH. However, the SGD NEER is only slightly softer at +1.72% above its perceived parity (1.3730). Based on our estimated SGD NEER model, we expect immediate topside resistance at around 1.3515/20 levels, and downside support at 1.3490, roughly translating to a +1.6% to +1.8% above parity range on the basket.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1056	1.1066	1.1081	1.1100	1.1101
GBP-USD	1.3000	1.3045	1.3046	1.3100	1.3233
AUD-USD	0.6806	0.6827	0.6835	0.6870	0.6882
NZD-USD	0.6563	0.6568	0.6587	0.6600	0.6742
USD-CAD	1.2961	1.3000	1.3091	1.3100	1.3121
USD-JPY	109.00	109.16	109.92	110.00	110.29
USD-SGD	1.3445	1.3500	1.3508	1.3535	1.3555
EUR-SGD	1.4919	1.4927	1.4968	1.5000	1.5048
JPY-SGD	1.2200	1.2207	1.2288	1.2300	1.2419
GBP-SGD	1.7459	1.7600	1.7623	1.7682	1.7700
AUD-SGD	0.9200	0.9224	0.9233	0.9300	0.9311
Gold	1496.76	1500.00	1553.60	1589.82	1600.00
Silver	17.54	17.70	17.71	17.80	18.37
WTI Crude	57.75	58.00	58.08	58.10	59.00

## Daily Market Outlook

22 January 2020

### 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
2	20-Jan-20	B	USD-JPY	110.19	112.65	108.98	Persistent risk-on sentiment; UST yields supported on the downside, curve with steepening bias
<b>STRUCTURAL</b>							
	---		---			---	
<b>RECENTLY CLOSED TRADE IDEAS</b>							
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
	---		---			---	---

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

*Head of Research & Strategy*

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

*Head of Greater China Research*

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

*Malaysia & Indonesia*

[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Terence Wu**

*FX Strategist*

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

*Thailand, Korea & Commodities*

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

*Hong Kong & Macau*

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

*Hong Kong & Macau*

[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

*Credit Research Analyst*

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

*Credit Research Analyst*

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

*Credit Research Analyst*

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

*Credit Research Analyst*

[ZhiQiSeow@ocbc.com](mailto: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).