

## Daily Market Outlook

30 January 2020

### Market Themes/Strategy

- Haven currencies and the broad USD firmed on Wednesday as the risk relief seen on Tuesday was partially reversed overnight. As it stands, risk-off plays within the FX space are finding it difficult to extend further, with the floors for the AUD-USD, USD-JPY and EUR-USD still in place. At the same time, any search higher for those pairs are also well capped.
- Much of this holding stance can be attributed to the coronavirus situation – deaths and confirmed cases increasing, but not at an accelerating rate. **The current situation keeps us on our toes, but perhaps we need another worsening of headlines to give risk-off trades another fillip.** The WHO meeting later today (1230 GMT), where it may declare a global emergency, may provide the catalyst.
- On a cross asset perspective, global equities were mixed, with US equities paring gains to close flat. UST yields led global core yields lower, with the 10y UST yield closing at 1.58% (lowest since the coronavirus broke). Overall, the **FX Sentiment Index (FXSI)** held steady compared to yesterday, staying within the Risk-Neutral zone.
- Elsewhere, the **FOMC** kept the policy rate unchanged, but adjusted the IOER rate higher by 5 bps. A slight downgrade in terms of household spending, now thought to be “moderate” instead of “strong”. A slight shift in rhetoric concerning the symmetric 2% inflation target suggests that inflation would be allowed to run hotter than 2% for some time, translating to slight dovish tilt.
- The **BOE** rate decision (1200 GMT) is also scheduled. With implied probability of a rate cut at evens, expect some volatility ahead for the GBP-USD, with the potential of a break lower if BOE turns noticeably dovish from here.
- With risk-off plays consolidating above their respective floors, we may see current ranges hold for the likes of the AUD-USD, USD-JPY and EUR-USD, pending developments on the coronavirus situation. However, do not rule out the possibility that the situation may turn worse before getting better. Overall, **still prefer to stay short on risk for now.**

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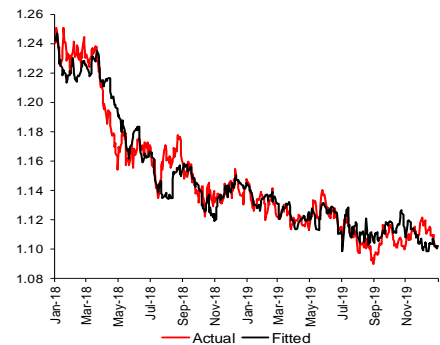
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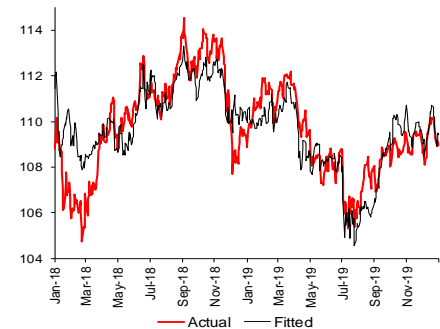
### EUR-USD

**Heavy.** The EUR-USD continues to be pushed back from the 1.1000 level, but the heavy posture remains unchanged. The FOMC also provided limited directional cues. Expect the pair to keep within the 1.0990 and 1.1040 range on an intraday basis, but the bias remains firmly on the downside.



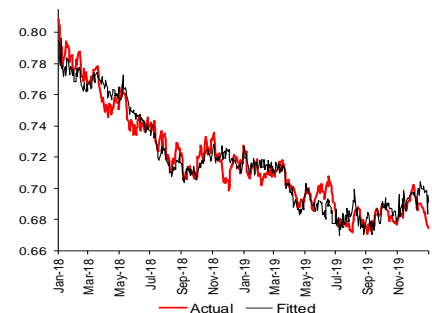
### USD-JPY

**Headline driven for now.** The USD-JPY may be limited by the 100-day MA (108.75) and 55-day MA (109.22) in the interim, pending more headlines from the Wuhan situation. Nevertheless, expect implicit heaviness until we see clear improvement on Wuhan situation.



### AUD-USD

**Southbound.** The AUD-USD appears unable to shake off the downside bias (understandably, given the risk-off tone), with positive data bounces (employment data last week, CPI yesterday) being pared within the global day. Continue to expect the pair to inch lower, en-route to 0.6700/20.



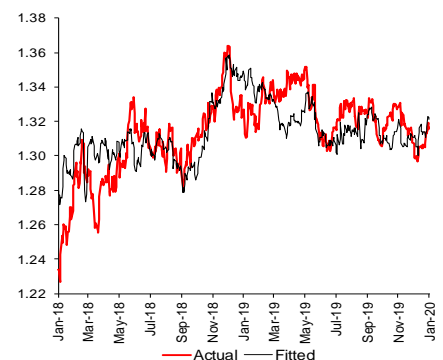
### GBP-USD

**Heavy within range.** The odds of BOE rate cut is on a coin-flip, any outcome may impart volatility ahead for the GBP-USD. We lean towards a downside break if BOE turns noticeably dovish from here. In addition, with Brexit official by Friday, expect the implementation of border checks and the like to impose some inherent concern on the GBP going forward. Immediate target on the downside stands at 1.2950, before 1.2900.



### USD-CAD

**Supported.** The USD-CAD dip on Wednesday proved to be short-lived, with the pair breaching our immediate upside resistance of 1.3178. With the pair hovering at the 1.3200 mark, do not rule out further extension to test the 200-day MA (1.3229).



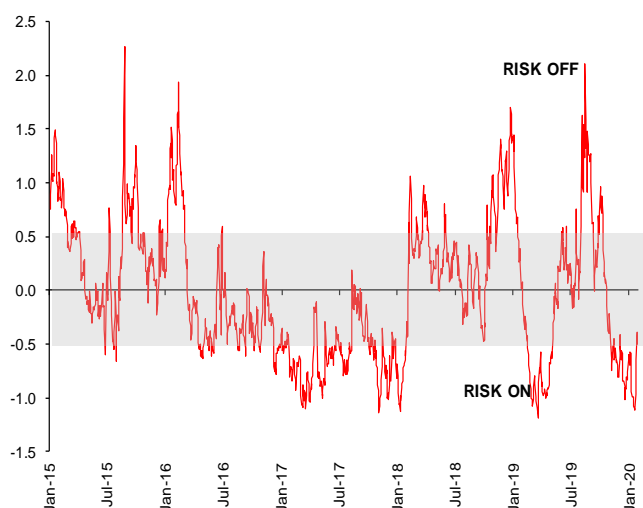
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### Asian Markets

- USD-Asia:** Note a North-South split within USD-Asia yesterday, with USD-North searching higher, but USD-South (USD-THB excepted) staying much more anchored. Nevertheless, expect the dips for USD-South to also remain shallow so long as risk sentiment remains jittery. With risk sentiment heavier this morning (compared to 24 hours ago), expect USD-Asia to revert to a buoyant stance.
- The Asian data front may provide some distraction from the coronavirus into the end of the week, with South Korean industrial production scheduled later today (2300 GMT), and China official PMIs tomorrow. As it stands, **the low-hanging fruits of the macro stabilization theme have been taken, with the onus now on the data to keep outperforming expectations to sustain the theme on a structural basis.**
- USD-SGD:** The SGD is bearing the brunt of the Asian sell-off on the back of the coronavirus. The SGD NEER reverted to its downward surge on Wednesday, standing now at +1.09% above its perceived parity (1.3775). NEER-implied thresholds continued to search higher. With the USD-SGD sailing past the 1.3600 with greater ease than expected, the 200-day MA (1.3665) comes into view, before the Dec 2019 high of 1.3691.

### FX Sentiment Index



### Technical support and resistance levels

|           | S2      | S1      | Current | R1      | R2      |
|-----------|---------|---------|---------|---------|---------|
| EUR-USD   | 1.0992  | 1.1000  | 1.1012  | 1.1097  | 1.1100  |
| GBP-USD   | 1.2968  | 1.3000  | 1.3018  | 1.3064  | 1.3100  |
| AUD-USD   | 0.6735  | 0.6739  | 0.6743  | 0.6800  | 0.6867  |
| NZD-USD   | 0.6506  | 0.6510  | 0.6516  | 0.6523  | 0.6587  |
| USD-CAD   | 1.3140  | 1.3200  | 1.3201  | 1.3210  | 1.3217  |
| USD-JPY   | 108.16  | 108.45  | 108.92  | 109.00  | 109.22  |
| USD-SGD   | 1.3600  | 1.3605  | 1.3629  | 1.3640  | 1.3665  |
| EUR-SGD   | 1.4895  | 1.5000  | 1.5008  | 1.5036  | 1.5084  |
| JPY-SGD   | 1.2406  | 1.2500  | 1.2513  | 1.2549  | 1.2563  |
| GBP-SGD   | 1.7680  | 1.7700  | 1.7744  | 1.7800  | 1.7816  |
| AUD-SGD   | 0.9155  | 0.9159  | 0.9190  | 0.9200  | 0.9304  |
| Gold      | 1509.93 | 1536.23 | 1579.50 | 1584.50 | 1600.00 |
| Silver    | 17.47   | 17.50   | 17.59   | 17.60   | 18.41   |
| WTI Crude | 52.13   | 53.00   | 53.02   | 53.10   | 57.44   |

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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>                  |           |     |          |               |        |  |  |
|   | ---                                |           |     | ---      |               |        |  | ---  |
|   | <b>RECENTLY CLOSED TRADE IDEAS</b> |           |     |          |               |        |  |  |
|   | 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  |

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