

Daily Market Outlook

3 December 2020

Market Themes/Strategy

- US ADP employment prints missed by a margin, but that did not seem to curtail overall sentiment. Risk continues to be resilient, as market focused on the positives. The Pfizer vaccine has gained approval in the UK, and US fiscal stimulus chatter seemed to pick up pace (again) as Pelosi threw her support behind a bipartisan proposal. US equities edged higher, together with back-end UST yields. The **FX Sentiment Index (FXSI)** is accelerating lower again within the **Risk-On** zone after a period of stability. Sentiment may be moving from being risk-on by default to being increasing euphoric in the coming sessions.
- The **broad USD** continues to be under pressure, especially within the G-10 space (USD-Asia space more muted). The **AUD** took over has the leader for USD weakness, re-testing the September highs early Thu. Do not rule out the AUD catching up with the NZD in terms of performance. The **EUR** breached the 1.2100 resistance. Expect it to target the early-2018 levels at 1.2400 on a multi-session horizon.
- The **GBP** underperformed after EU's Barnier said the Brexit trade deal is too close to call, and longstanding disagreements remain unresolved. Nevertheless, the sharp dip was pared amid USD weakness, equity gains and the Pfizer approval. For now, expect the 1.3450/500 zone to cap the GBP, with a deal likely needed for it to breach the resistance. **The cable is potentially a sell on rally for now.**
- We have previously been expecting a slow grind lower for the broad USD amid a smouldering risk-positive backdrop. **However, risk-on sentiment was fanned up considerably this week** – something perhaps attributable to the US fiscal stimulus coming back to the forefront. From here, vaccine approvals may also pick up pace. Overall, expect the USD downside within the G-10 space to be sped up in the near term, commensurate to the up-tick in risk sentiment.

Terence Wu

FX Strategist

+65 6530 4367

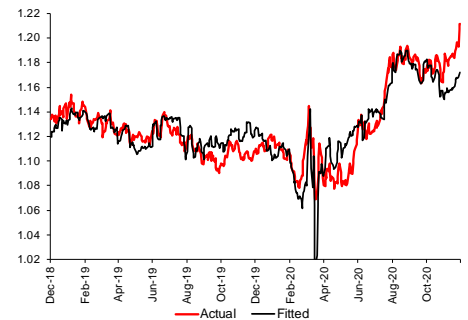
TerenceWu@ocbc.com

Treasury Research

Tel: 6530-8384

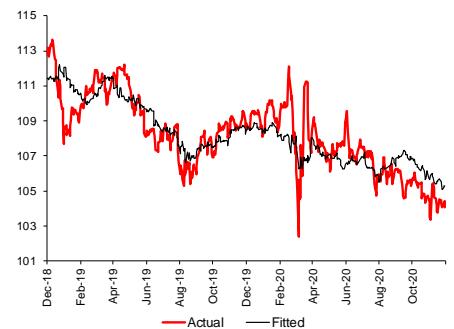
EUR-USD

Northbound for now. The EUR-USD breached the 1.2100 resistance in quick succession after 1.2020. If the pair can build base above 1.2100, we expect further extension higher towards the multi-session target at 1.2400. Risk environment also supportive, especially with optimism around the US fiscal stimulus picking up again. 1.2020 support on dips, while the immediate upside target may be at 1.2150.



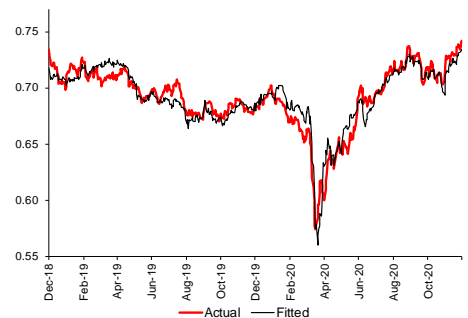
USD-JPY

Range. Elevated backend UST yields is finally translating to a firmer USD-JPY, although the traction above 104.50 remains scarce. Topside is fundamentally capped by the soggy broad USD at this point. Continue to favour fading the pair at the extremes towards 103.80 and 104.80.



AUD-USD

Supported. The AUD-USD is making another attempt at the Sep high of 0.7414 early Thu. The pair and back-end ACGB yields could feed on 3Q GDP and RBA growth optimism to sail higher, although tensions with China may limit. A breach of 0.7414 may leave the pair free to extend towards the next firm resistance level around 0.7630/50 on a multi-session horizon. Expect dips to be limited to 0.7350 for now.



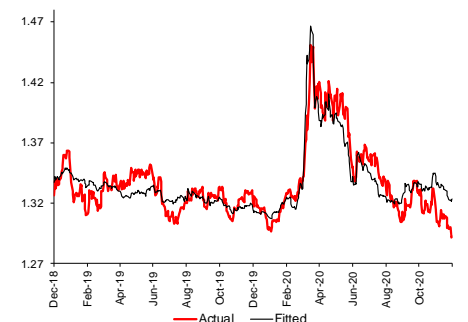
GBP-USD

Peak potentially in place. A choppy session for the GBP-USD, with the stalling Brexit trade negotiations offset by global risk cues and vaccine positives. The 1.3450 to 1.3500 zone may be a near-term top that will need a firm deal to breach, although the demand for downside protection remains high. Any dip on headlines will first target 1.3290/00, before 1.3200.



USD-CAD

Heavy. The pair remains on a slow drift lower, with the crude complex still supported amid the prospect of OPEC restrictions. Expect the pair to tilt towards the downside target at 1.2900 for now, with any bounce limited to 1.2950.



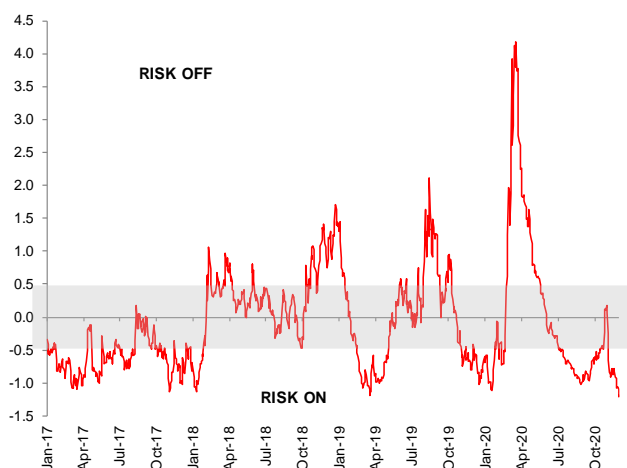
Daily Market Outlook

3 December 2020

Asian Markets

- **USD-Asia:** The USD-CNH response to the broad USD weakness was again relatively muted, with the downside supports still in place. This keeps the floor in most USD-Asia pairs intact. KRW, supported by tech gains in the US, was the exception, with the USD-KRW flexing against the optically important 1100.00 handle. If breached, expect the next multi-session target to be 1075/80. Nevertheless, expect some smoothening of the pace of downside.
- Equity inflows into North Asia and India are driving the overall inflow momentum into Asia. In Korea and Taiwan especially, this dynamic has driven their respective currencies higher. Elsewhere in South Asia, inflow momentum remains supported in Thailand on both the bond and equity fronts, while the improvement in the flows environment in Philippines and Malaysia seemed to have stalled somewhat.
- **USD-SGD:** The SGD NEER is drifting lower towards parity, standing at +0.22% above the perceived parity level (1.3417) this morning. Any bounce in the USD-SGD remains capped at 1.3420, while 1.3370 supports on the downside. Expect these two levels to bookend the range for now.

FX Sentiment Index



Technical support and resistance levels

| | S2 | S1 | Current | R1 | R2 |
|-----------|---------|---------|---------|---------|---------|
| EUR-USD | 1.2091 | 1.2100 | 1.2118 | 1.2170 | 1.2200 |
| GBP-USD | 1.3114 | 1.3300 | 1.3372 | 1.3400 | 1.3441 |
| AUD-USD | 0.7219 | 0.7400 | 0.7412 | 0.7423 | 0.7480 |
| NZD-USD | 0.6761 | 0.7000 | 0.7063 | 0.7084 | 0.7100 |
| USD-CAD | 1.2909 | 1.2910 | 1.2923 | 1.3000 | 1.3148 |
| USD-JPY | 103.36 | 104.00 | 104.47 | 104.85 | 105.00 |
| USD-SGD | 1.3357 | 1.3363 | 1.3381 | 1.3400 | 1.3515 |
| EUR-SGD | 1.6173 | 1.6200 | 1.6214 | 1.6226 | 1.6300 |
| JPY-SGD | 1.2757 | 1.2800 | 1.2808 | 1.2900 | 1.2914 |
| GBP-SGD | 1.7728 | 1.7800 | 1.7893 | 1.7900 | 1.7986 |
| AUD-SGD | 0.9755 | 0.9900 | 0.9917 | 0.9922 | 0.9930 |
| Gold | 1800.00 | 1800.63 | 1827.00 | 1879.88 | 1900.00 |
| Silver | 22.58 | 24.00 | 24.01 | 24.10 | 24.15 |
| WTI Crude | 40.65 | 45.00 | 45.08 | 45.10 | 46.26 |

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Howie Lee***Thailand, Korea &**Commodities*HowieLee@ocbc.com**Tommy Xie Dongming***Head of Greater China**Research*XieD@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.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).