

## Daily Market Outlook

11 January 2021

### Market Themes/Strategy – The week ahead

- A big miss in the Dec non-farm payrolls did little on Friday to dampen the overall market sentiment. If anything, the poor print sparked further expectations of stimulus, which in turn supported overall risk sentiment. US equities and 10y UST yields were lifted higher overnight. The **FX Sentiment Index (FXSI)** still very heavy within the outright **Risk-On** zone.
- The **broad USD** continued to extend its recovery on Friday, lifting higher against all G-10 counterparts with exception of the NOK. The EUR underperformed across the board, although the cyclicals held up better to the resurgent USD.
- On the **CFTC** front, most of the investment community held back from making significant changes to their net implied positions in the latest week. Non-commercial accounts were largely static, while the asset managers added slightly to their net implied USD shorts. The leveraged accounts, however, cut back on their net implied USD short positions, most notably against the EUR.
- We had previously sounded out under-the-radar USD-positive drivers in the form of increasingly favourable yield differentials and firmer than perceived US macro recovery in our [2021 FX Outlook](#). These dynamics seemed to gain traction after the Georgia run-offs. We expect the USD recovery to have legs if the market perceived that the higher 10y yields (1) can be sustainable, and (2) is reflective of strong US macro performance.
- However, it may be somewhat premature to conclude that for now. Nominal and real yields in the US are still low, and it is still unclear how the Fed will react to higher yields. Risk-on environment is also still in place. **With the trends in the EUR and JPY still not reversed, we prefer to see the USD move as a knee-jerk consolidation for now.** In any case, there should, however, be a bit more support for the USD against the other reserve currencies like EUR and JPY. **Any USD shorts may be better expressed through the cyclicals for now. Going forward, watch 10y UST yields as a guide to USD directionality.**

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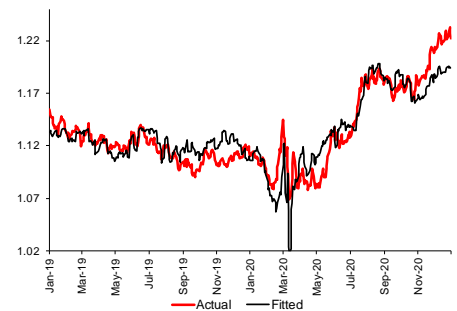
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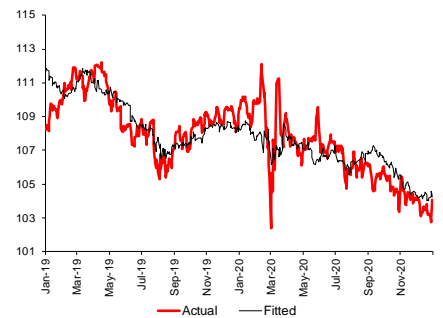
### EUR-USD

**Turning heavy?** The EUR-USD trajectory threatens to turn heavy with the breach of the 1.2200 support early Mon. This should open up deeper retracement toward 1.2130, and then 1.2050. Relatively light on the data calendar for the Eurozone this week, leaving the pair still guided by broad USD directionality for now.



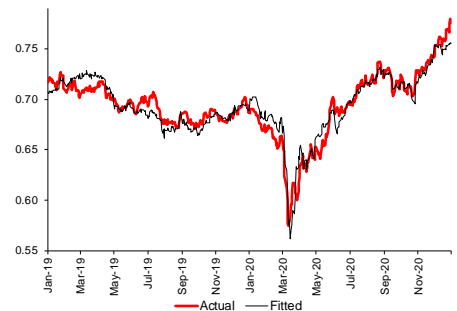
### USD-JPY

**Turning supported.** The USD-JPY lifted above the 55-day MA (104.02) early Mon, and a close above this level today may put the 100-day MA (104.71) in sight. Aside from USD directionality, watch for further jawboning from Japanese authorities and the spreading virus situation in Tokyo.



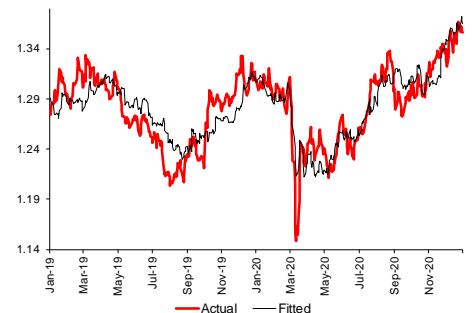
### AUD-USD

**Still supported.** The pair saw some catch-up declines early Mon. The background risk-on environment remains largely intact, and the RMB has yet to show capitulation against the USD. These should help the AUD hold its own better against the USD for now. First target on the downside remains at 0.7650, and a breach of that may raise more serious questions.



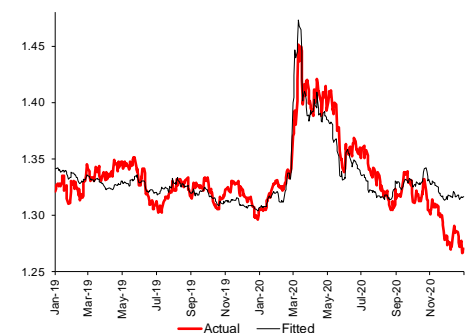
### GBP-USD

**Turning heavy?** The GBP-USD breached 1.3550 early Mon to flex at the 1.3500 support. Domestic challenges in the UK difficult, but no new developments on that front. Coupled with a soft data calendar, this should leave the cable subject to USD directionality this week.



### USD-CAD

**Consolidate higher.** The USD-CAD was again one of the least reactive to USD strength on Fri. Nevertheless, the 1.2750 resistance is breached early Mon, leaving 1.2800 the next target on the upside.



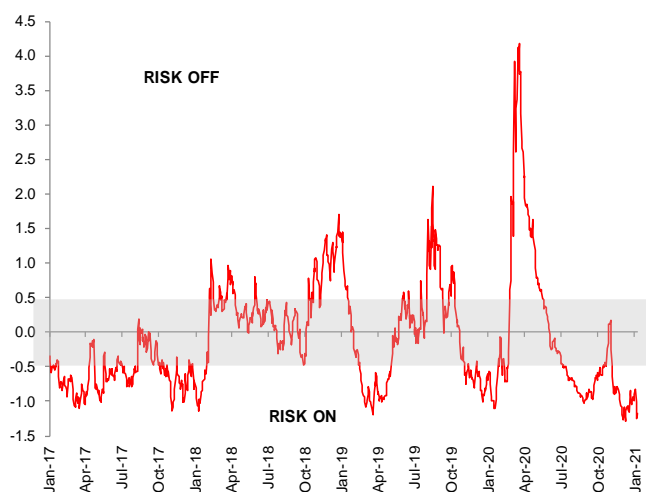
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11 January 2021

### Asian Markets

- USD-Asia:** Higher UST yields are actively contributing to the USD-Asia consolidation higher. Nevertheless, explicit upward momentum may not be forthcoming just yet. The USD-CNH remains capped at 6.4800 for now, with the next resistance at 6.5000. Overall, expect USD-Asia to await better directionality from the broad USD front. On the Asian data calendar, watch for China trade data (Tue) and BOK policy decision (Fri).
- USD-SGD:** The SGD NEER sank towards the parity level, just marginally above the parity level (1.3302) this morning. If parity is still the downside limit for the SGD NEER for now, then USD-SGD upside should be limited, unless there is another leg higher for the broad USD. The 1.3300/20 should remain a cap for now.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.2108	1.2300	1.2324	1.2342	1.2349
<b>GBP-USD</b>	1.3359	1.3500	1.3585	1.3600	1.3704
<b>AUD-USD</b>	0.7468	0.7700	0.7793	0.7794	0.7800
<b>NZD-USD</b>	0.7200	0.7284	0.7288	0.7300	0.7315
<b>USD-CAD</b>	1.2630	1.2635	1.2676	1.2700	1.2916
<b>USD-JPY</b>	102.76	103.00	103.21	103.98	104.00
<b>USD-SGD</b>	1.3156	1.3157	1.3191	1.3200	1.3380
<b>EUR-SGD</b>	1.6140	1.6200	1.6257	1.6300	1.6312
<b>JPY-SGD</b>	1.2758	1.2770	1.2782	1.2800	1.2865
<b>GBP-SGD</b>	1.7870	1.7900	1.7922	1.8000	1.8091
<b>AUD-SGD</b>	1.0200	1.0261	1.0280	1.0300	1.0350
<b>Gold</b>	1870.11	1900.00	1918.30	1947.05	1962.50
<b>Silver</b>	24.77	27.10	27.11	27.20	28.08
<b>WTI Crude</b>	50.64	50.80	50.89	50.90	51.04

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