

## Daily Market Outlook

12 January 2021

### Market Themes/Strategy

- Democrats threatened to start impeachment proceedings after VP Pence and the Cabinet chose not to remove Trump. This sparked some politically-driven risk off within the market, with US equities slumping lower. Attention is still largely on back-end UST yields, with the 10y yield continuing its march higher. Overall, the **FX Sentiment Index (FXSI)** tipped higher, signalling a slight pull-back on the overall risk positive mood, but remains well within the outright **Risk-On** zone.
- The **broad USD's** consolidation higher extended to a third day on the back of the still-rising back-end UST yields. Nevertheless, it has pulled back from the extreme slightly overnight. Cyclical and the EUR continued to underperform in the USD's run higher, while the likes of the GBP and JPY are more muted. Overall, the USD's recovery in the major pairs are perhaps still held back by key support levels.
- Are we in the midst of a regime change in US Treasury market? One that will lead nominal and real yields in the US higher going forward, and allow the broad USD to meaningfully re-engage yield differential arguments to move higher? **Some segments of the market seemed to have signed on to that thesis, but we are not fully on that train just yet.** In this context, the upcoming US CPI releases (Wed) may take a larger than usual market significance.
- Overall, **we shift towards being net neutral on the USD for now, pending how the UST yields evolve in the coming sessions.** Risk-reward may not be favourable to reload USD shorts against the EUR and JPY for now, though an argument may still be made to pick up AUD against the USD. **Going forward, watch on the pace of ascent of the 10y UST yield. Our bias is for the 10y yield to experience some pull-back after its run higher, allow the market to resume its sell USD on rallies posture.** We will more concerned should the 10y yield breach 1.25-1.30% levels, and be on a clear path towards 1.60%. That may be the signal for a more sustained USD strengthening phase.

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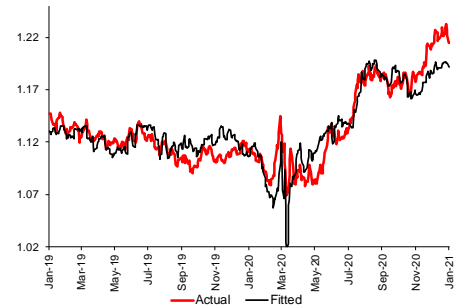
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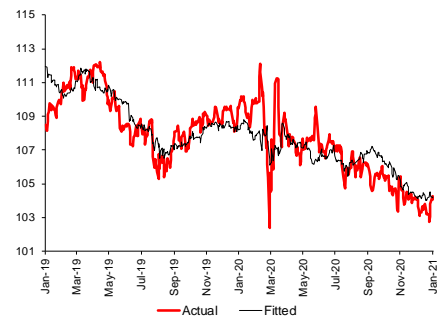
### EUR-USD

**Turning heavy?** The EUR-USD downside support at 1.2130/50 remain at risk. Deeper retracement towards the 55-day MA (1.2027) may be needed to confirm the downtrend. Overall, expect the pair to take cues from the USD for now.



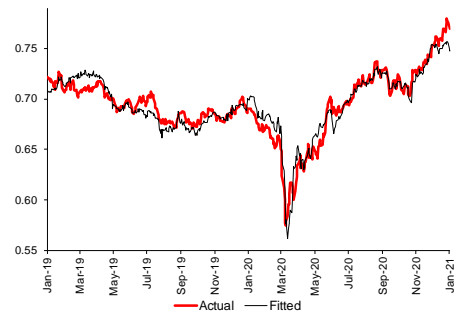
### USD-JPY

**Turning supported.** The USD-JPY bulls would be excited by the close above the 55-day MA that left the next target at the 100-day MA (104.69) within sight. The recent jump has also closed the gap with short term implied valuations. Nevertheless, there has been a number of false upside breaks of the 55-day MA over the past months. Not jumping on the bandwagon just yet. Dips will be supported at 104.00 for now.



### AUD-USD

**Still supported.** The decline in the AUD-USD has been heavier than most G-10 pairs, with the exception of the NZD. Nevertheless, the first resistance at 0.7650 remains intact, and this leaves the pair still largely in a supported posture. Prefer not to express any long USD views with this pair for now, while going short on this pair goes against the grain. Better pairs to focus on than this for now.



### GBP-USD

**Supported.** Attempts to breach the 1.3500 support were quickly reversed, leaving the pair's trajectory still tilted higher. Immediate waypoints on the south, such as 1.3430, will have to be breached for more meaningful downside to open up.



### USD-CAD

**Consolidate higher.** The extension north of 1.2800 saw limited follow through on Monday, quickly reversing back towards the 1.2780 zone. Will need to stronger breach of the 1.2850 – 1.2900 zone for the pair to see more upside momentum.



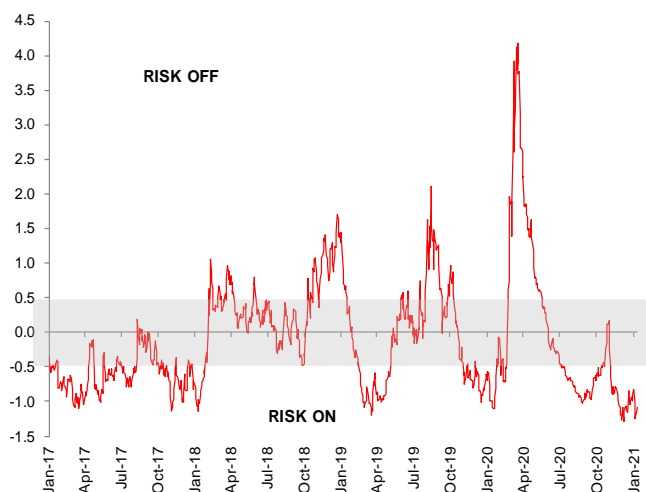
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### Asian Markets

- USD-Asia:** USD-Asia continued to lift higher on the yield-driven USD rebound. **Expect high-yielders like the IDR to be most hit for now**, although the underlying view is unchanged, and we expect the USD-IDR to return to a heavy posture once the higher back-end UST yields has been digested by the market. Till then, the implicit bias may be for the USD-Asia to edge higher, with the USD-CNH potentially having a firmer test of the 6.4900 – 6.5000 resistance. Elsewhere, expect the MYR downward pressure to be exacerbated on the back of renewed movement restrictions in parts of Malaysia.
- USD-SGD:** The SGD NEER hovered just north of the perceived parity level (1.3320) this morning. Implicit upside pressure for the USD-SGD at this juncture, although we expect the 1.3300/30 range to limit for now. Support at 1.3270/80.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.2100	1.2129	1.2143	1.2200	1.2326
GBP-USD	1.3399	1.3500	1.3513	1.3600	1.3695
AUD-USD	0.7505	0.7600	0.7693	0.7700	0.7806
NZD-USD	0.7038	0.7100	0.7159	0.7200	0.7287
USD-CAD	1.2640	1.2700	1.2788	1.2800	1.2892
USD-JPY	104.00	104.26	104.27	104.75	105.00
USD-SGD	1.3170	1.3300	1.3315	1.3360	1.3364
EUR-SGD	1.6129	1.6130	1.6168	1.6200	1.6314
JPY-SGD	1.2736	1.2738	1.2770	1.2800	1.2848
GBP-SGD	1.7888	1.7900	1.7992	1.8000	1.8079
AUD-SGD	1.0001	1.0200	1.0243	1.0300	1.0311
Gold	1816.04	1835.54	1843.80	1867.55	1900.00
Silver	24.85	25.10	25.16	25.20	27.87
WTI Crude	45.55	52.20	52.22	52.30	52.38

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