

## Daily Market Outlook

13 January 2021

### Market Themes/Strategy

- Political uncertainty still on swirling in the background. The Trump impeachment vote is taking place in the House of Representatives later today, with parts of the Republican Party likely to break ranks and support the vote. US equities recovered from losses is close marginally higher. But eyes were on the US Treasuries market, where the recent selling pressure was met with demand overnight. A strong auction also did help keep a lid on yields. The 10y yield failed at just below the 1.20% mark, and closed the day down 2 bps. Overall, the **FX Sentiment Index (FXSI)** edged higher for the third consecutive session, but remains within the outright **Risk-On** zone, suggesting that default risk positive environment may be seeing some frays on the edges.
- In line with the retreat in back-end UST yields, the **broad USD** resumed its broad-based decline overnight. The antipodeans and GBP saw the largest gains. The GBP benefitted from the BOE's Bailey pushing back on negative rates yet again. The EUR-USD regained the 1.2200 handle, while the USD-JPY dipped below the 104.00 support.
- The pace of increase in UST yields is going to be a tough balancing act due to its implications on the real economy and also equities market. Too quick an ascent may put paid to any hopes of Fed tapering and trigger easing biases yet again, with the side-outcome being USD weakness yet again. In this context, we see the 1.25-1.30% levels as a key resistance for now.
- **USD bulls seem to disperse quickly as the sell-USD-on-rally dynamic reasserts after the retreat in yields.** Fairly jittery on the FX front for now, with the signals are now mixed for the likes of the EUR-USD and USD-JPY. Still see the AUD as the preferred expression of USD weakness, but may relook the EUR and JPY if they hold overnight gains. Overall, stay net neutral for now although the bias is shifting back towards USD weakness.

**Terence Wu**

FX Strategist

+65 6530 4367

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

**Treasury Research**

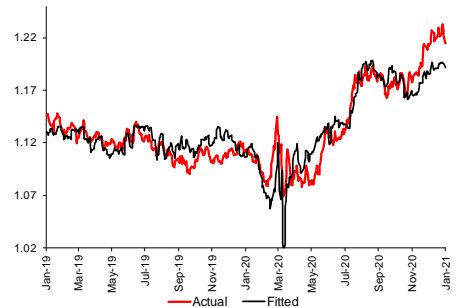
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### EUR-USD

**Resuming uptrend?** The EUR-USD's ability to hold downside support at 1.2130/50 will give some confidence to bulls. However, the signals are still mixed, and the bulls may still feel nervous. More confidence that we have seen a near-term bottom if the pair can sustain around the 1.2230 zone, though the pair will still be beholden to the UST yield directionality.



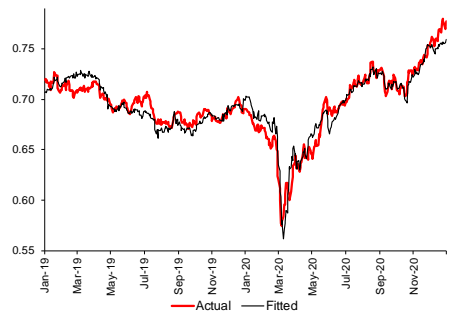
### USD-JPY

**May turn south again.** The downtrend line for USD-JPY held despite the jump over the past three sessions. The aggressive move below the support at 104.00 may also signal further downside extension. Target 103.50, before 103.00 for now.



### AUD-USD

**Still supported.** Still supported risk environment, coupled with the firmer commodity complex gave the AUD-USD the scope to reassert its upside bias as soon as the cracks started to show on the USD rebound. Continue to expect a bid tone for this pair, targeting 0.7800 ahead of the previous high at 0.7820.



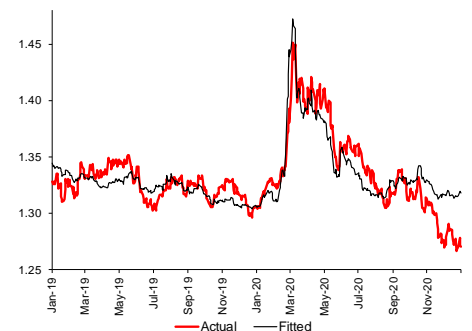
### GBP-USD

**Supported.** Attempts by BOE's Bailey to push back on negative interest rates provide the kicker for the GBP-USD to bounce higher, in addition to the stalling USD rebound. The sharp move higher puts the recent high at 1.3704 back into frame.



### USD-CAD

**Consolidate.** Chatter for "micro" rate cuts (less than 25 bps) at the BOC would weigh on the CAD, although the firming commodity complex would be an offsetting factor. Expect these dynamics to leave the USD-CAD range-y between 1.2650 and 1.2800 for now.



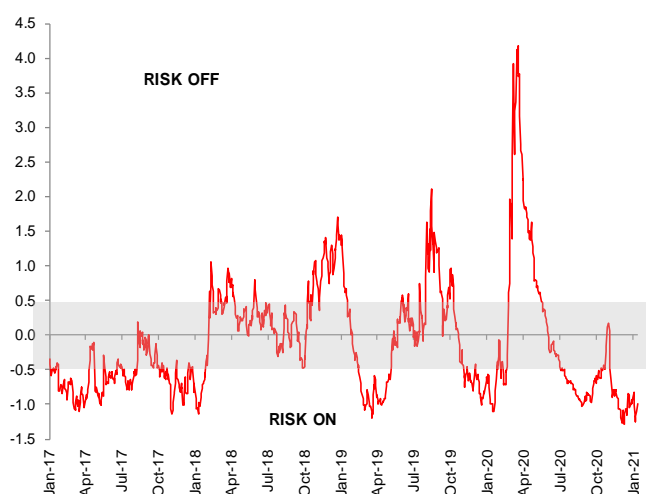
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### Asian Markets

- **USD-Asia:** The softer UST yields and firmer USD will set the tone for a heavy USD-Asia today. The USD-CNH is back below 6.4500 on the back of exporter flows, putting further pressure on the rest of USD-Asia. With the CFETS RMB Index flexing against the 96.00 ceiling again, there is scope to argue that the downside for USD-CNH may slow relative to other Asian peers.
- Not a stretch to expect additional downside pressure on the MYR given the domestic developments and its potential impact on growth. The initial reaction of the USD-MYR is an unsurprising knee-jerk reaction to the MCO and the state of emergency. Going forward, if there is a more sustained loss of investor confidence and sentiment in Malaysia, we expect foreign outflows to pick up, and this may cause a more sustained downward pressure on the MYR.
- However, this has to be seen in the context of the global USD dynamics, which may exert a more sustained impact on the USD-MYR than the domestic factors beyond the immediate term. In general, beyond the immediate horizon, we still expect the global USD dynamics to dominate. **Overall, the USD-MYR to lift to a higher plane for now, but we retain the underlying downward trajectory in 2021.**
- **USD-SGD:** The SGD NEER moved sharply higher to +0.35% above the perceived parity level (1.3277) this morning, in contrast to levels marginally above parity. This translated to an outsized dip in the USD-SGD. Going forward, further downside may be limited to 1.3200/10, with resistance entering at 1.3260/70.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.2141	1.2200	1.2218	1.2300	1.2322
GBP-USD	1.3409	1.3600	1.3683	1.3700	1.3704
AUD-USD	0.7508	0.7700	0.7768	0.7800	0.7820
NZD-USD	0.7050	0.7200	0.7233	0.7250	0.7300
USD-CAD	1.2630	1.2700	1.2707	1.2800	1.2882
USD-JPY	102.76	103.00	103.56	103.94	104.00
USD-SGD	1.3164	1.3200	1.3227	1.3300	1.3351
EUR-SGD	1.6121	1.6130	1.6161	1.6200	1.6315
JPY-SGD	1.2730	1.2734	1.2772	1.2800	1.2844
GBP-SGD	1.7899	1.8000	1.8098	1.8100	1.8101
AUD-SGD	1.0005	1.0200	1.0274	1.0300	1.0316
Gold	1821.54	1836.74	1861.50	1867.19	1900.00
Silver	24.90	25.60	25.70	25.70	27.73
WTI Crude	53.39	53.70	53.74	53.77	53.80

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## Treasury Research & Strategy

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### Macro Research

**Selena Ling**

Head of Research & Strategy

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

**Howie Lee**

Thailand, Korea &  
Commodities

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

**Tommy Xie Dongming**

Head of Greater China  
Research

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

**Carie Li**

Hong Kong & Macau

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

**Wellian Wiranto**

Malaysia & Indonesia

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

**Terence Wu**

FX Strategist

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

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