

## Daily Market Outlook

10 June 2021

### FX Themes/Strategy

- Recovery in bitcoin towards the \$37,000 handle provided some stability in the crypto space. Nevertheless, a slight edging towards the risk-off direction is still detected on the **FX Sentiment Index (FXSI)** as global equities closed mixed to lower. The headliner was the 10y UST yields dipping below 1.50%, although a matching decline in breakevens left real yields approximately constant.
- A tale of two halves for the broad **USD** as it regained losses from the Asian session in late LDN and NY hours. The **European complex** were mostly firmer against the USD, while the cyclicals, led by the **NZD**, was again the underperformer. The **GBP** again underperformed despite BOE's Haldane (outgoing) continuing to signal that the UK economy is booming and that the BOE should turn off the monetary taps. Other domestic factors driving the GBP include the ongoing uncertainty over the reopening timeline (a decision likely by end of next week) and renewed tensions with the EU over Northern Ireland. Look for the cable to trade heavy within range in the immediate horizon, although there is room for GBP to recover as the market shifts attention away from the upcoming ECB and Fed decisions to the BOE on 24 June.
- The Bank of Canada left policy parameters unchanged in its decision yesterday. No signs that the existing BOC guidance will be derailed by two months of weaker than expected employment numbers, with the next taper in asset purchases due in the July decision. Market implied expectations stand at approx. 2 hikes by end-2022, leaving the BOC still one of the most hawkish within the major central banks. Underlying support for the CAD is intact, but the near-term consolidative phase will have to be surmounted.
- The ECB decision (1145 GMT) and US CPI (1230 GMT) will be the next potential catalysts for a bigger move within the FX space. Expect any sustained range-breaks in the major pairs to drive the next leg of directionality.
- **USD-Asia:** The USD-CNH did not participate in the USD bounce overnight, leaving it static just below the 6.3900 handle. Aside from the medium term macro fundamentals in China, watch for some potential deterioration on the BOP front. The domestic recovery should spread to the services sector, which typically enters the BOP as a deficit. Chinese export share may also fade as more economies reopen. Any deterioration in BOP may not be sufficient to spark a sustained turnaround in the RMB, but should still count against ongoing and extended RMB appreciation.
- **USD-SGD:** The SGD NEER softened marginally to +1.00% above parity (1.3376) this morning. Meanwhile, the USD-SGD rode the USD jump to settle around the 1.3250 handle.

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### EUR-USD

**Back in range.** The EUR-USD retreated from a test of the 1.2200 resistance to close the day little-changed. Ahead of the event risks later today, expect ongoing consolidation. Potential range extremes to look out for will be 1.2120 and 1.2260.



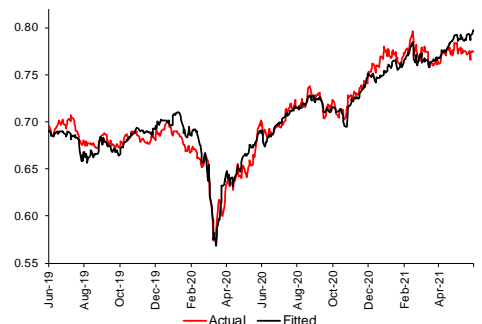
### USD-JPY

**Base off and climb.** The USD-JPY held firm despite the ongoing shift against the USD in terms of UST-JGB nominal yield differentials. The saving grace is perhaps that real UST yields remain broadly supported amid a pull-back in breakevens. Watch range extremes at 109.20 and 110.30.



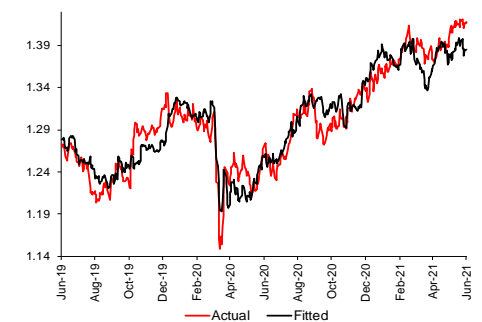
### AUD-USD

**Back in range.** Positive vibes from Sino-US trade talks may support at the AUD at the margins this morning, but again, all eyes are on the broad USD cues. Range extremes at 07660 and 0.7800.



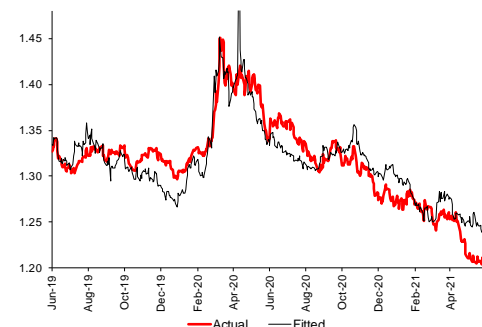
### GBP-USD

**Range.** Comments from a hawkish (but outgoing) Haldane were brushed aside amid renewed issues with the EU over Northern Ireland and the ongoing uncertainty about the reopening timeline. Heavy near the bottom end of the recent range at 1.4080 into the event risks today.



### USD-CAD

**Potential consolidation.** The BOC did not spring surprises, and remains on track despite a slowdown in employment numbers in recent months. This left the CAD tracking the broad USD closely. Range-top at 1.2130/40 remains at risk for now, against the lower extreme at 1.2000.



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