

## Daily Market Outlook

15 January 2021

### Market Themes/Strategy

- Biden's US\$1.9t stimulus plan will hold market attention, but some time will be needed to digest the details. Initial reactions were muted. US equities closed a touch softer, and e-minis heavy early on Fri. The US Treasury curve bear-steepened as the back-end sold off, but the moves are already being faded on early Fri. Overall, risk sentiment remained buoyant, as the **FX Sentiment Index (FXSI)** dipped deeper into the outright **Risk-On** zone.
- The **broad USD** was mostly soft against G-10 counterparts, with the cyclicals and GBP outperforming. The AUD touched above 0.7800, and the GBP above 1.3700, before retreating. The European complex, especially the EUR itself, remains weighed down by domestic issues ranging from Italian politics to ECB's discussion on EUR strength. Expect the EUR's posture to remain very soggy, indirectly making the USD look better than it really is.
- Fed's Powell showed no inkling of dovishness. His message was essentially (1) "no time soon" to raising rates, (2) Fed funds rate to stay at the effective lower bound for the foreseeable future, and (3) bond-buying will continue throughout this year. The core and majority of the FOMC are still very dovish. 1-2 regional Fed presidents, like Bostic, are perhaps less dovish than the rest, but it should not sway FOMC direction for now. What would be a sterner test of the FOMC's stance will be inflation prints really starting to move towards the 2.0% mark.
- **Overall, still expect the USD to retain a sideways-to-heavy posture.** Prefer to express USD negativity through AUD and the cyclicals. Keeping a wide berth from the EUR unless it can clearly detach from the 1.2150 zone on either side. Somewhat more baffling is the supported GBP despite the negatives due to Brexit and the pandemic situation (which is as bad, if not worse than continental Europe).

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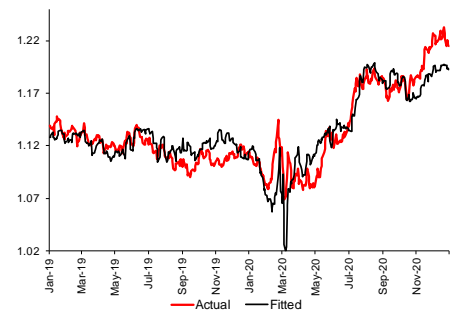
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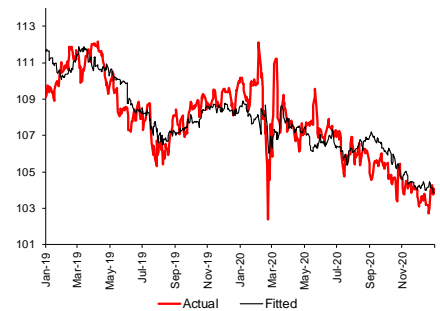
### EUR-USD

**Consolidate.** The market seemed focused on EUR-negatives at this point, with discussions on a strong EUR seen in the ECB minutes. This adds to the political and pandemic negatives. The pair remains on the edge so long as it fails to clear the 1.2130/50 zone convincingly on either side. Watch for a close below 1.2100 or above 1.2220 to potentially provide signal for the next leg of directionality.



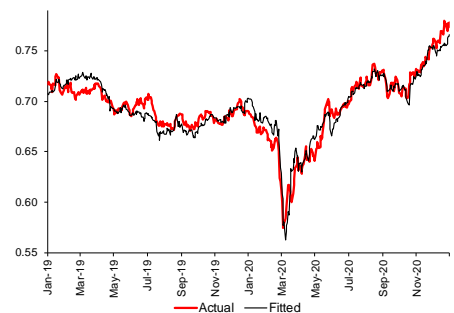
### USD-JPY

**Heavy bias.** The US stimulus chatter failed to lift the USD-JPY beyond the 104.00/20 resistance, leaving the posture for the pair still implicitly heavy. 103.50 remains the main target on the downside, below which the downside momentum may accelerate.



### AUD-USD

**Still supported.** The AUD-USD failed to hold on to the 0.7800 handle, perhaps disappointing the bulls. Nevertheless, the downside impetus appears limited, given the broader market optimism. May fluctuate between 0.7700 and 0.7800 for now, although we have bias for it lift above that ceiling.



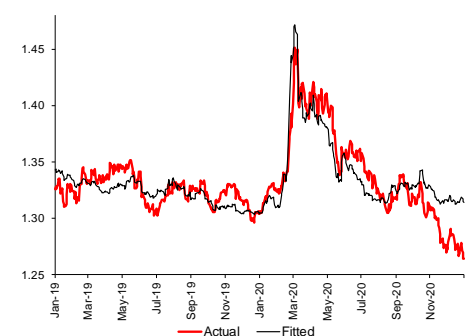
### GBP-USD

**Supported.** The USD selling post-Powell saw the GBP-USD lift to 1.3712 high, but again failed to hold gains. The market seemed intent to bid up the GBP, which lagged the EUR amid the Brexit negotiations. Nevertheless, domestic concerns remain daunting at this stage. Expect the pair to range between 1.3600 and 1.3720 for now.



### USD-CAD

**Revert to heavy tone.** The USD-CAD dipped below the 1.2650 support, and managed to hold on to the declines. This leaves the pair on a heavy tone for now. Going forward, expect 1.2550 to be the next target on a multi-session horizon.



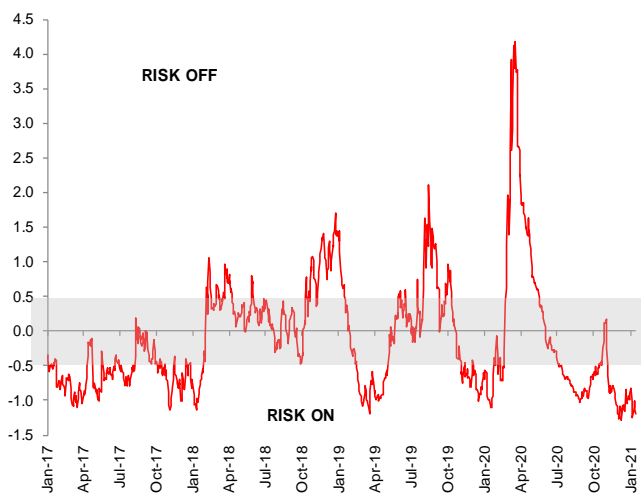
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### Asian Markets

- **USD-Asia:** Without a clear lead from the broad USD and the RMB, expect the USD-Asia pairs to run mixed into the end of the week. Range-bound consolidation may be the default posture for most USD-Asia pairs for now, although there is still some bias on the downside.
- The **BOK** held policy rates unchanged at 0.50% as it attempts to balance growth and debt concerns. Issues like the rising household debt will continue to constrain the BOK, leaving the barrier high for another rate cut. Expect little impact on the USD-KRW for now, with the pair likely hemmed in around the 1100.00 mark pending better directionality from the USD.
- **USD-SGD:** The SGD NEER was static over Thursday, with the index at +0.15% above the perceived parity level (1.3276) this morning. Expect further range-bound action for the USD-SGD for now, with 1.3220 and 1.3280 marking the extremes.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.2100	1.2115	1.2148	1.2200	1.2320
<b>GBP-USD</b>	1.3430	1.3600	1.3682	1.3700	1.3710
<b>AUD-USD</b>	0.7517	0.7700	0.7767	0.7800	0.7820
<b>NZD-USD</b>	0.7067	0.7200	0.7206	0.7300	0.7301
<b>USD-CAD</b>	1.2600	1.2625	1.2648	1.2700	1.2866
<b>USD-JPY</b>	102.82	103.00	103.77	103.96	104.00
<b>USD-SGD</b>	1.3166	1.3200	1.3256	1.3300	1.3342
<b>EUR-SGD</b>	1.6086	1.6100	1.6104	1.6121	1.6200
<b>JPY-SGD</b>	1.2721	1.2734	1.2775	1.2800	1.2832
<b>GBP-SGD</b>	1.7917	1.8100	1.8137	1.8149	1.8156
<b>AUD-SGD</b>	1.0019	1.0200	1.0297	1.0300	1.0329
<b>Gold</b>	1819.90	1839.42	1851.40	1865.06	1900.00
<b>Silver</b>	24.96	25.70	25.72	25.80	27.62
<b>WTI Crude</b>	46.09	53.50	53.59	53.60	53.93

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