

Daily Market Outlook

20 November 2020

Market Themes/Strategy

- On the US data front, worse than expected initial jobless claims were offset by a stronger than expected print in the Philly Fed business outlook survey. Positive US equities contrasted with EZ equities that was weaker across the board. Back-end UST yields continue to fade lower. Overall, the **FX Sentiment Index (FXSI)** steady within the **Risk-On** zone.
- The **broad USD** was initially bid, but eventually closed mixed within the G-10 space, Cyclical underperformed as a bloc as market sentiment is still somewhat soggy, with the AUD leading the losses. The EUR again tested resistance around 1.1880/90 before reversing
- Aside from vaccine optimism on one end, and rising pandemic cases and lockdowns on the other, a whole swathe of developments added to the market uncertainties afflicting risk sentiment on the margins. In the US, there is a run-in between the Fed and Treasury over unused stimulus funds. The IMF also warned that the resurgence of the pandemic would jeopardize the global recovery.
- **With overall risk sentiment still finely balanced, we are on the lookout for the next driver that would spur a firmer risk-on tilt.** The potential of further US fiscal stimulus and/or an expansion of the Fed's monetary stimulus would do the trick. We expect market focus towards these areas to pick up as we head into Dec. Until then, we are still left with watching the developments on the pandemic front. However, neither of those are a given. Staff-level talks for a new fiscal stimulus package have restarted, but with the US leadership in transition, it remains to be seen if a deal can be landed. On the Fed front, we already have Mester and Kaplan (both voters) pushing back on additional stimulus.

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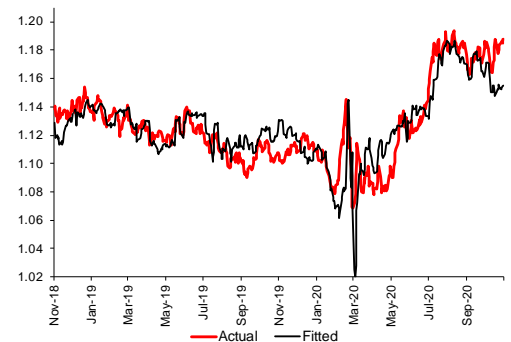
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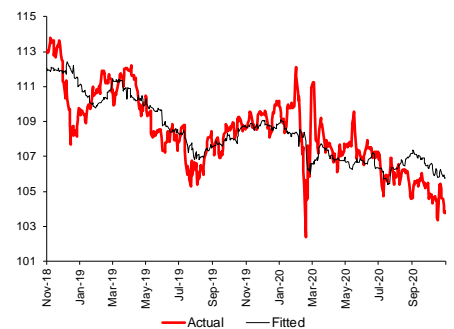
EUR-USD

Consolidate. The EUR-USD continues to face good selling pressure at 1.1880/90, before firmer resistance at 1.1900/20. Expect the pair to be USD-driven at this point, with the pandemic focus shifting across the Atlantic. The 1.1900/20 resistance remains the main one to watch, with downside likely limited to 1.1820/40.



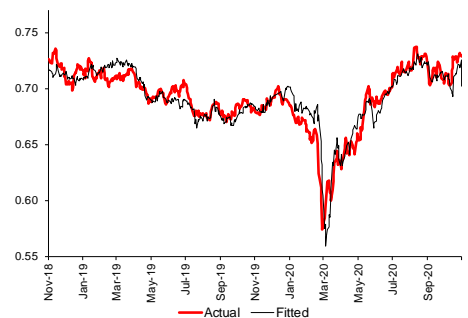
USD-JPY

Downside bias. The USD-JPY failed to hold on to the 104.00 locus. This leaves the bias still to do the downside. Fading back-end UST yields also led the pair lower. For now, the risk-reward probably favours the pair below 104.00. The low at 103.20 may implicitly attract for now.



AUD-USD

Range-bound. The AUD-USD traded heavy overnight as better than expected jobs data in Australia was offset by weak copper prices and souring risk-on sentiment. Better than expected retail sales print this morning may provide some support to the pair on the margins. Looking ahead, expect the pair to trade in range as it continues to be lead by the broad USD and risk dynamics. Support is now at 0.7250 with resistance at 0.7340.



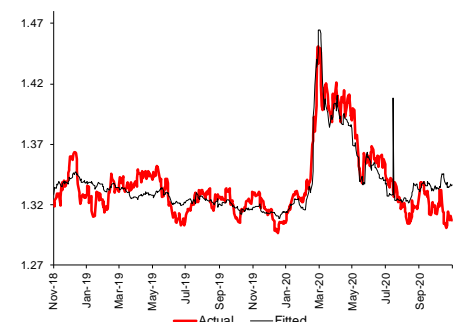
GBP-USD

Headline driven. Some uncertainties broke out over the Brexit negotiations as a member of the EU team tested COVID positive. Overall, the market seemed to be position for an eventual deal, notwithstanding the tight deadlines and political grandstanding. This leaves asymmetric risks going forward, with downside room in the event of a breakdown much larger than any deal-related upside.



USD-CAD

Consolidate. The USD-CAD traded heavy overnight on the back of better than expected CPI prints and Moody's upholding Canada's Aaa rating. Outside of global cues, retail sales are scheduled to be released later today (1330 GMT) and may provide some domestically driven directionality for the pair in the near term. Support is now at 1.3000 while resistance is at 1.3100.



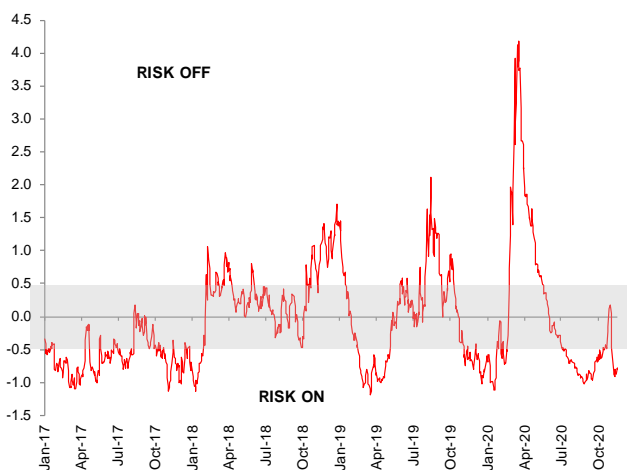
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Asian Markets

- USD-Asia:** USD-Asia lifted higher yesterday, lead higher by a firmer USD-KRW. Given the sharp moves in USD-Asia over the past two weeks and with many pairs testing multi-year support levels, the retracement yesterday is perhaps not surprising. **Nevertheless, expect the bounce to be short-lived.** We do not see the USD-CNH trajectory as being severely impinged by this bounce. Note that the USD-CNY morning fix has tracked spot lower, and are set at levels that translate to the CFETS RMB index above 96.00. This reinforce the view that the PBOC is not interested in reining in the RMB, and is now leaving it to market forces. **Expect the downward drift to resume after a period of consolidation. Favour the MYR and IDR to outperform going forward.**
- Despite presenting an optimistic outlook on growth, the **BI** took advantage of the stable IDR and low inflation environment to pencil in another 25 bps rate cut to 3.75%. They also highlight that the IDR is fundamentally undervalued, and they expect it to continue stabilizing. At the **BSP**, a surprise 25 bps rate cut to 2.00% was also put in place.
- USD-SGD:** Not much excitement on the SGD front, with the SGD NEER is largely static at +0.23% above the perceived parity (1.3473) this morning. USD-SGD lifted higher alongside the rest of USD-Asia, but is actually one of the laggards in terms of the extent of the move. Continue to expect the USD-SGD to trade in-line with the broad USD.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1776	1.1800	1.1877	1.1900	1.1920
GBP-USD	1.2999	1.3200	1.3259	1.3300	1.3312
AUD-USD	0.7179	0.7200	0.7286	0.7300	0.7340
NZD-USD	0.6693	0.6900	0.6916	0.6945	0.6995
USD-CAD	1.2946	1.3000	1.3074	1.3100	1.3195
USD-JPY	103.18	103.31	103.87	104.00	104.99
USD-SGD	1.3400	1.3401	1.3443	1.3500	1.3586
EUR-SGD	1.5863	1.5900	1.5966	1.5998	1.6000
JPY-SGD	1.2900	1.2940	1.2943	1.3000	1.3010
GBP-SGD	1.7660	1.7800	1.7825	1.7886	1.7900
AUD-SGD	0.9700	0.9751	0.9794	0.9800	0.9859
Gold	1836.81	1848.00	1863.80	1898.89	1900.00
Silver	23.18	24.10	24.14	24.20	24.55
WTI Crude	39.79	41.70	41.76	41.80	43.06

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