CURRENCY MARKET OBSERVATIONS – 25 November 2019

Saudi Aramco IPO Faces Low Interest from Investors

Fundamental Outlook The U.S. Congress passes a bill to support the protestors in HK. Despite the disagreement by Chinese government, Beijing leaders have invited US trade representatives to China for a face to face talk on negotiating the trade deal.

Trade deal negotiation remains uncertain between the world's two largest economies. On Friday, President Trump commented the trade deal is very near to closing with China and can be completed before year-end. Dow benchmark rose but fizzled off 28,000 major level.

Last week, WTI Crude oil broke two months high and settled above $58/barrel after OPEC and Russia confirmed they will continue cut production in 2020. Market threaded in narrow range but failed to settle higher for weekend's closing.

Saudi Aramco cancels foreign road shows due to lack of interest from offshore institutional investors. Till date, Russia Lukoil and Malaysia Petronas have confirmed their bypass on this investment. Other state investments are holding neutral view and yet to decide on advancing into the subscription for this new IPO.

During the G20 meeting held in Japan, Chinese State Councillor Wang Yi openly criticized U.S. as the biggest destabilizing factor in the world. Beijing Government expresses strong resistance to the interference of U.S. Government for supporting Hong Kong protest.

Technical Forecast USD/JPY traded flat around 108.50 for whole week despite Dollar Index grew stronger. This week, we reckon the trend will be initially contained from 108.00 – 109.00 range until it breaks out in either direction. In our opinion, going beyond the aforementioned range will extend another 100 pips in market.

EUR/USD fell little on Friday before market closed. This week, we foresee the market will be ambushed with buying interest at 1.0950 – 1.1000 in case of drawdown. Topside resistance remains at 1.1100 level that will compress the range from 1.0950 – 1.1100 region. Technically, the direction of Dollar Index will be main influence on Euro trend this week.

GBP/USD tried but failed to reach 1.3000 level last week. Moving forward, the trend will be initially contained from 1.2700 - 1.2900 region until it comes out of it. In next few weeks, we project sideways trading activity in market until the General Election is over and emerges a clearer directional trend.

Gold prices topped off USD1480 /oz last week as Dollar grew stronger. This week, we forecast the trend will be prone to bearish direction but limited to USD1440 /oz bottom. Overall range is expected from USD1440 – USD1480 /oz while waiting for Dollar Index to reveal a clearer direction. Beware of the rising Crude prices that might push the gold metal lower.

WTI Crude prices eked out USD58 /barrel last week but settled slightly below this level on Friday. Market is strongly support at USD56 /barrel and we aim to see the bulls pick up this week. Topside range may target at USD62 /barrel once it pierces above USD58 /barrel. However, beware of unexpected falling beneath USD56 /barrel that will nullify all bullish projection.

Silver prices closed below USD17.00 /oz for weekend while resistance has emerged at USD17.30 /oz level. This week, we foresee the trend will turn bearish just like yellow metal. Initial support is seen at USD16.50 /oz and likely to trade in mixed activity amid narrow range. Proper risk control is recommended in case the trend falls beyond the USD16.50 /oz support.

Crude Palm Oil (FCPO) Futures on Bursa Derivatives climbed higher due to weaker Ringgit and lower production. Analysts comment the production will fall in coming years due to weather changes. February20 Futures contract closed at RM2743 /MT on Friday. This week, we have identified strong support at RM2650 /MT in case of drawdown. There is a potential on going higher to RM2850 /MT as the raging bulls squeeze out sellers.

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