

Daily Market Outlook

1 November 2019

Market Themes/Strategy

- **Reality check.** Implicit USD vulnerability persisted on Thursday in the wake of the FOMC but it was curbed after a report indicated that China doubted prospects of a long term trade deal. On the data front, note that the US September core PCE deflator readings were a tad soft while the October Chicago PMI also drastically underperformed.
- As a result, the AUD eventually underperformed across the board while the JPY gained on the crosses as investor appetite received a slight jolt.
- Global equities (including in EM) dipped and UST (and bund) yields searched lower on Thursday while the VIX and gold climbed. Crude meanwhile continued to soften. Overall, the **FXSI (FX Sentiment Index)** consolidated higher within Risk-Neutral territory.
- Apart from potential Sino-US headlines (officials are looking for a new venue to sign “Phase One” after the APEC Conference in Chile was cancelled) and potentially, Trump impeachment news flow, the market’s focus will turn to the **US October NFP** numbers tonight (1230 GMT) and the October ISM readings at 1400 GMT.
- **In the interim, expect the likes of the JPY and the AUD to remain more reactive to any volatility arising from Sino-US headlines. At this juncture, while we think that implicit USD fragility post-FOMC may be still in play, it wouldn’t take much for risk appetite to scatter further, whittling away at the majors instead.**

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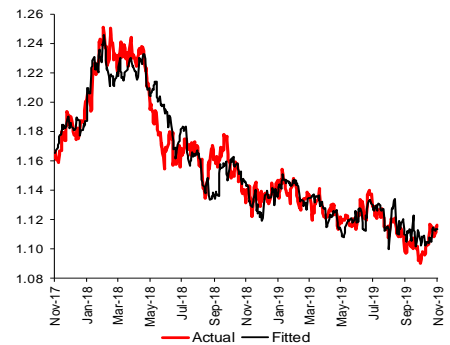
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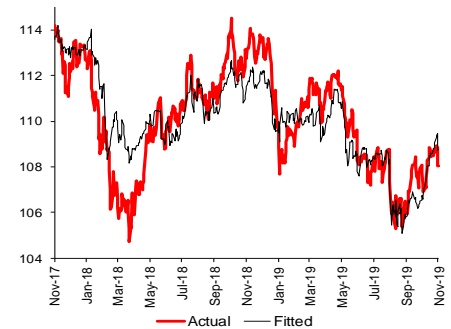
EUR-USD

Firmer. October EZ PMI readings were flat to warmer than expected on Thursday and the pair may continue to test towards 1.1180-1.1200. On the downside, the 100-day MA (1.1124) may cushion.



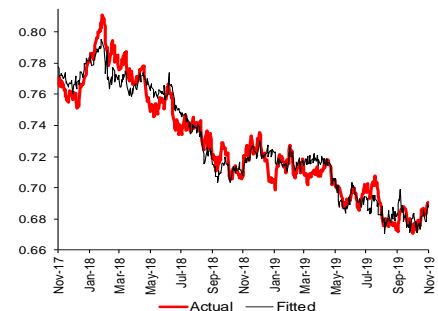
USD-JPY

Pause. The BOJ MPC held static as expected on Thursday but turned slightly more explicit in terms of portending a rate cut. With risk appetite levels capitulating, short term implied valuations for the USD-JPY have stalled fairly abruptly on the upside. Expect some consolidation intra-day in the neighborhood of 108.00 ahead of the 55-day MA (107.56).



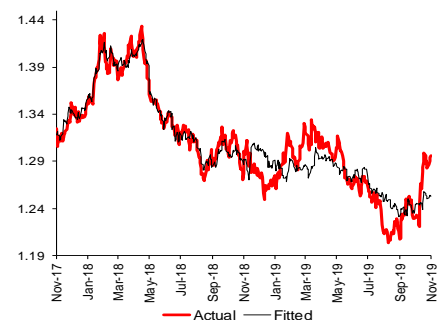
AUD-USD

Base building. The twin manufacturing PMIs for Australia late Thursday continued to deteriorate from the previous month. With the global data flow also mixed, expect base building behavior with a near term locus at 0.6900 while being cordoned off by 0.6870 and 0.6930.



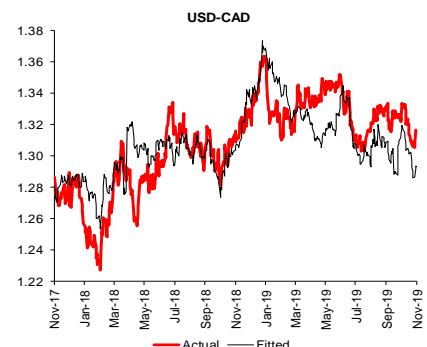
GBP-USD

Headline-driven. GBP-USD may attempt to continue to creep higher on the back of a vulnerable greenback and subsiding risks of a no-deal ejection from the EU. Expect key psychological resistance at 1.3000 and note discrete negative risks if Brexit-related headlines take a turn for the worst. The pair remains overdone on the upside relative to its short-term implied valuations.



USD-CAD

Range trading. With the ripples from the dovish BOC this week likely to continue to fade, we look for potential for the USD-CAD to attempt to search lower from here towards 1.3100 with 1.3200 also likely to limit for now.



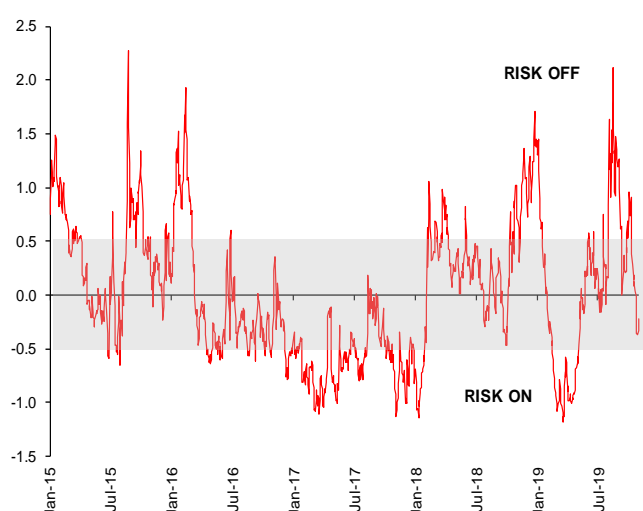
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Asian Markets

- **USD-Asia:** USD-CNH bounced off intra-day lows on the back of renewed concerns surrounding Sino-US trade tensions and the air of uncertainty may discourage downside probes for the regional pairs ahead of the US NFP tonight. The better than expected China Caixin manufacturing PMI reading of 51.7 may however cap the upside for the regional pairs.
- **However, the aggregated data feed out of Asia is mixed,** with South Korea's October exports contracting more than expected. Some bright spots however were had from the smaller contraction in Thailand's September exports, while Taiwan's 3Q GDP came in at a better than expected +2.91% yoy.
- **October Asian manufacturing PMIs** released this morning saw further deterioration for Taiwan, Thailand, and Indonesia, although the readings for Malaysia and South Korea improved. Note that except for Thailand's PMI sitting at 50.0, the other aforementioned PMIs remain in contraction territory. China's Caixin manufacturing PMI is due at 0145 GMT and India's PMI is scheduled for 0500 GMT.
- **USD-SGD:** USD-SGD managed to end softer on the day despite some slight global unease. The SGD NEER meanwhile has firmed to +1.59% above its perceived parity (1.3804), with NEER-implied USD-SGD thresholds easier on the day. Overall, look to fade rallies towards 1.3630 for 1.3570.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1039	1.1100	1.1164	1.1179	1.1197
GBP-USD	1.2712	1.2900	1.2964	1.3000	1.3013
AUD-USD	0.6799	0.6900	0.6908	0.6930	0.6933
NZD-USD	0.6342	0.6400	0.6434	0.6442	0.6449
USD-CAD	1.3042	1.3100	1.3151	1.3200	1.3223
USD-JPY	107.69	108.00	108.02	109.00	109.04
USD-SGD	1.3529	1.3558	1.3586	1.3600	1.3658
EUR-SGD	1.5098	1.5100	1.5168	1.5188	1.5200
JPY-SGD	1.2500	1.2531	1.2578	1.2600	1.2779
GBP-SGD	1.7359	1.7600	1.7613	1.7700	1.7721
AUD-SGD	0.9300	0.9355	0.9385	0.9399	0.9400
Gold	1504.67	1512.82	1513.00	1535.60	1600.00
Silver	17.87	18.00	18.06	18.08	18.10
Crude	51.79	54.30	54.37	54.40	55.32

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