

Daily Market Outlook

2 October 2019

Market Themes/Strategy – Refreshed FX forecasts

- The majors diverged with respect to dollar on Tuesday with the AUD-USD crashing briefly through 0.6680 following dovish rhetoric from the RBA after its 25bps cut to 0.75%. However, drastically disappointing US Sep ISM readings (especially the prices paid, employment and new orders sub components) boosted the EUR-USD (despite soft EZ manufacturing PMIs) back above 1.0920 and scythed the USD-JPY down past 107.80.
- Across asset markets, US and EM equities dipped, UST yields collapsed (bull steepened), WTI slipped to almost 53.00, while gold ticked higher.
- A consolation is that EM risk premiums and short-end EM FX vols remain relatively staid, suggesting that the epicenter of market stress is not currently focused in EM space but is instead located within the G10 space arena instead. Overall however, the **FXSI (FX Sentiment Index)** burrowed deeper into Risk-Off territory on Tuesday.
- Any further re-calibration of FOMC expectations (odds of a cut this month jumped overnight to more than even) may continue to disadvantage the dollar against the EUR and JPY. However, the cyclicals have to contend with equally (if not more) dovish central banks and a crumbling macroeconomic narrative.
- Prospects for the **AUD-USD** are thus looking dovish in the near term while the heavy profile for the **EUR-USD** (and supported stance for the **USD-JPY**) may be interrupted at this juncture by the slight jitter in FOMC expectations.

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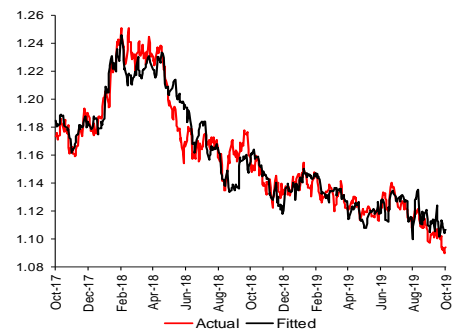
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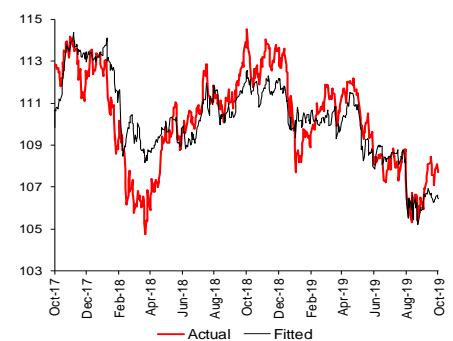
EUR-USD

Top heavy. Excessive downside for the EUR-USD may see a temporary pause as market attention stays on the soft US ISM print. Note however, that German/EU PMI prints were not much brighter. Thus, we still expect the pair to be biased lower further out, but a near term retracement cannot be ruled out. Expect resistance at 1.0960 on the topside in the interim, while 109.00 supports.



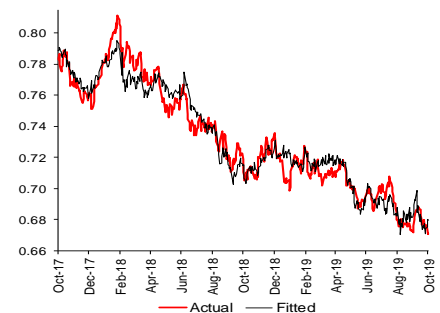
USD-JPY

Consolidate. A bout of risk aversion took the USD-JPY lower, although the support at 107.60/70 held firm. Failing to stay above 108.00 may impede further upside, and the short term implied valuations also show some reluctance to push higher. Expect 107.40 to attract in the interim, especially if risk aversion does not ease. Bounces may be capped at 108.00 for now.



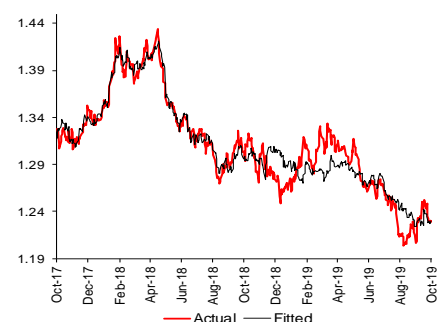
AUD-USD

Heavy tone. A softer than expected RBA rhetoric, coupled with ongoing global growth concerns, should continue to impinge on the AUD-USD going forward. Expect USD weakness to have less traction on this pair. Rebounds may be capped at 0.6770/80 for now, but we will not rule out declines beyond 0.6680 further out.



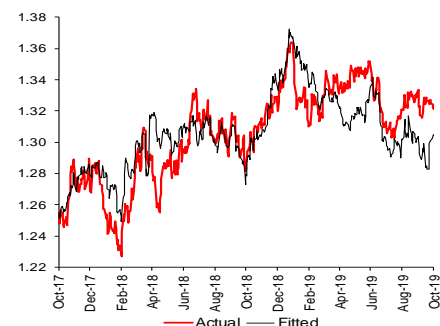
GBP-USD

Heavy pending new cues. The GBP-USD continue to see volatility on Brexit static, but we prefer to stay on the short side in the interim. Expect the 1.2200 to continue to attract, despite the bounce off that level yesterday.



USD-CAD

Drift lower. The USD-CAD dipped out of recent ranges on the back of the softer USD, although risk-off sentiments should keep the downside rather limited for now. Expect the 100-day MA (1.3251) to cap in the interim, while the 1.3200 handle attracts.



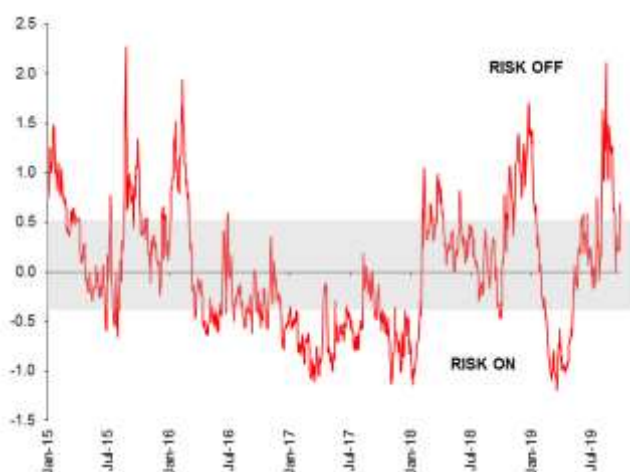
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Asian Markets

- USD-Asia:** USD-CNH continued to edge higher on Tuesday even as the onshore Golden Week got underway. **Asian currencies remain hampered by Asian/growth concerns (note mixed Asian PMIs). Thus, expect overnight USD weakness to have limited traction with USD-Asia.** With Asian equities off to a negative start on Wednesday, also expect sentiment to be cautious in the current session. On balance, we expect USD-Asia to stay supported for now, especially USD-North.
- Asian manufacturing PMIs largely mixed, with improvements noted in Taiwan, Thailand, Indonesia, Malaysia, but flat to weaker in the other tracked economies. Note no signs of acceleration in price pressures in Indonesia and Thailand as well. **Overall, expect this round of data prints to do little to assuage growth concerns and support Asian FX.**
- USD-SGD: Positive traction.** Despite overnight USD weakness, expect the USD-SGD to retain a buoyant stance following the lead from USD-CNH. Any dips to 1.3820 may be rejected in favour of another push to 1.3880. Meanwhile, the SGD NEER eased further to +0.85% above its perceived parity (1.3970), with NEER-implied USD-SGD thresholds easing only slightly lower.

FX Sentiment Index



Technical support and resistance levels

| | S2 | S1 | Current | R1 | R2 |
|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1.0897 | 1.0900 | 1.0937 | 1.1000 | 1.1067 |
| GBP-USD | 1.2217 | 1.2255 | 1.2292 | 1.2300 | 1.2548 |
| AUD-USD | 0.6696 | 0.6700 | 0.6716 | 0.6795 | 0.6800 |
| NZD-USD | 0.6204 | 0.6211 | 0.6250 | 0.6300 | 0.6405 |
| USD-CAD | 1.3158 | 1.3200 | 1.3213 | 1.3248 | 1.3296 |
| USD-JPY | 107.00 | 107.07 | 107.72 | 108.00 | 108.48 |
| USD-SGD | 1.3800 | 1.3814 | 1.3853 | 1.3861 | 1.3900 |
| EUR-SGD | 1.5059 | 1.5100 | 1.5151 | 1.5200 | 1.5287 |
| JPY-SGD | 1.2677 | 1.2800 | 1.2861 | 1.2900 | 1.2904 |
| GBP-SGD | 1.6930 | 1.7000 | 1.7029 | 1.7100 | 1.7248 |
| AUD-SGD | 0.9259 | 0.9300 | 0.9303 | 0.9387 | 0.9400 |
| Gold | 1458.30 | 1471.80 | 1476.50 | 1494.54 | 1500.00 |
| Silver | 17.06 | 17.30 | 17.31 | 17.40 | 17.46 |
| Crude | 52.84 | 54.10 | 54.15 | 54.20 | 55.91 |

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Refreshed FX Forecasts (correct as of 1 October 2019)

| | Spot | Oct-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 |
|---------|---------|---------|---------|---------|---------|---------|
| USD-JPY | 108.33 | 109.08 | 109.49 | 109.09 | 107.71 | 106.32 |
| EUR-USD | 1.0891 | 1.0831 | 1.0763 | 1.0832 | 1.1049 | 1.1265 |
| GBP-USD | 1.2298 | 1.2196 | 1.2126 | 1.2180 | 1.2325 | 1.2471 |
| AUD-USD | 0.6699 | 0.6619 | 0.6573 | 0.6643 | 0.6770 | 0.6898 |
| NZD-USD | 0.6229 | 0.6138 | 0.6080 | 0.6096 | 0.6211 | 0.6326 |
| USD-CAD | 1.3265 | 1.3301 | 1.3265 | 1.3193 | 1.3125 | 1.3058 |
| USD-CHF | 0.9995 | 1.0061 | 1.0044 | 0.9938 | 0.9888 | 0.9837 |
| USD-SGD | 1.3863 | 1.3915 | 1.3940 | 1.3863 | 1.3778 | 1.3693 |
| USD-CNY | 7.1483 | 7.1652 | 7.1805 | 7.1483 | 7.0589 | 6.9695 |
| USD-THB | 30.68 | 30.59 | 30.35 | 30.19 | 30.08 | 29.97 |
| USD-IDR | 14210 | 14,328 | 14,304 | 14,071 | 13,929 | 13786 |
| USD-MYR | 4.1953 | 4.2042 | 4.2107 | 4.1953 | 4.1574 | 4.1194 |
| USD-KRW | 1199.15 | 1203.20 | 1210.87 | 1190.49 | 1182.39 | 1174.29 |
| USD-TWD | 31.041 | 31.091 | 31.176 | 30.826 | 30.715 | 30.603 |
| USD-HKD | 7.8397 | 7.8425 | 7.8450 | 7.8475 | 7.8113 | 7.7750 |
| USD-PHP | 51.93 | 51.79 | 51.72 | 51.66 | 51.37 | 51.07 |
| USD-INR | 70.90 | 70.64 | 71.41 | 70.21 | 69.43 | 68.64 |
| EUR-JPY | 117.99 | 118.15 | 117.85 | 118.17 | 119.00 | 119.77 |
| EUR-GBP | 0.8856 | 0.8881 | 0.8876 | 0.8894 | 0.8964 | 0.9033 |
| EUR-CHF | 1.0885 | 1.0897 | 1.0811 | 1.0766 | 1.0925 | 1.1081 |
| EUR-SGD | 1.5099 | 1.5072 | 1.5005 | 1.5017 | 1.5223 | 1.5425 |
| GBP-SGD | 1.7048 | 1.6971 | 1.6905 | 1.6885 | 1.6982 | 1.7076 |
| AUD-SGD | 0.9288 | 0.9210 | 0.9163 | 0.9209 | 0.9397 | 0.9582 |
| NZD-SGD | 0.8635 | 0.8542 | 0.8475 | 0.8451 | 0.8558 | 0.8662 |
| CHF-SGD | 1.3870 | 1.3831 | 1.3879 | 1.3949 | 1.3935 | 1.3920 |
| JPY-SGD | 1.2796 | 1.2757 | 1.2732 | 1.2707 | 1.2792 | 1.2879 |
| SGD-MYR | 3.0262 | 3.0214 | 3.0205 | 3.0263 | 3.0174 | 3.0084 |
| SGD-CNY | 5.1374 | 5.1493 | 5.1509 | 5.1564 | 5.1233 | 5.0898 |

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