

## Daily Market Outlook

3 October 2019

### Market Themes/Strategy

- The **USD** is mostly weaker against G10 counterparts, with the exception of the **CAD** (weak crude, growth concerns spreading from US) and **CHF** (soft data, spillovers from firmer EUR-CHF). The **EUR-USD** pushed higher to 1.0960, as the DXY index barely held on to the 99.00 handle. The reflux from the weak Sep ISM reading on Tuesday was compounded by the softer-than-expected ADP print overnight.
- Overall, a risk-off tone continued to deepen, with US/EM equities stepping lower again. US Treasuries also diverged from bunds and gilts, with the 2-5y segment outperforming and the 10y UST yield dipping below 1.60%. In response, the **FXSI (FX Sentiment Index)** spiked deeper into the Risk-Off zone.
- **Near-term USD prospects will be dependent on the shifting Fed rate cut expectations.** In this context, note that Fed's Williams continued to highlight uncertainties ahead for the US economy. More interesting is Barkin's (non-voter) comments, that the Fed has already taken out insurance with the last two rate cuts, and he will have to digest new data before deciding his next move. If the majority of the FOMC shares this view that insurance has already been taken, then an October cut may not be forthcoming. Nonetheless, the markets appear to be growing more certain of more Fed rate cuts sooner, with the implied probability of an October rate cut standing at 76%.
- Rising Fed rate cut expectations should ail the USD in the near term. For now, **we are glued to the US data releases for the rest of the week**, focusing from ISM non-manufacturing later today (1400 GMT), then nonfarm payrolls on Friday. A string of bad data may firmly entrench the rate cut expectations, and hamper the USD on a more sustained basis.
- In this context, expect the **EUR-USD** to stay relatively buoyant for now. Overlaying this dynamic with the overall risk-off sentiment and lower UST yields also points to a lower **USD-JPY**. For the **AUD-USD**, note five bottoms around 0.6670/90 region stretching back to August. Even with the weak USD narrative, this level was tested yesterday. Given the growing risk-off tone, do not rule out another test of these levels in the coming sessions.

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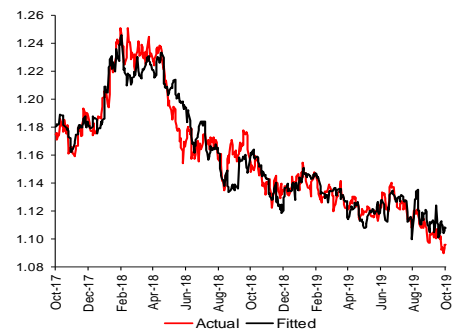
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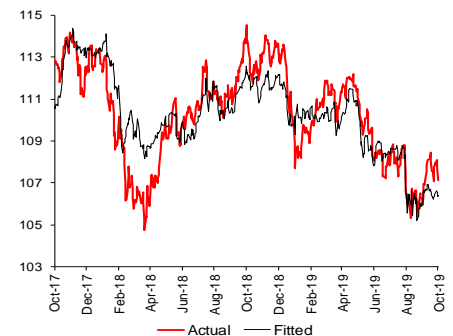
### EUR-USD

**Pause from downtrend.** With market attention firmly on soft US data and rising Fed rate cut expectations, the uplift in the EUR-USD may persist in the interim. Expect 1.1000 to attract, especially if the US data releases stay soft into the end of the week, while downside may be supported at 1.0930 for now.



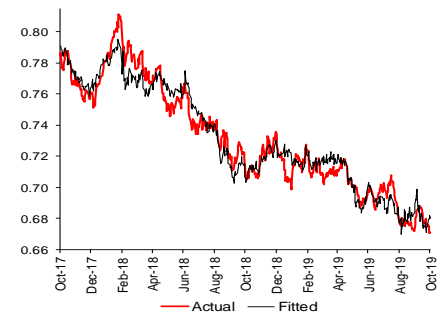
### USD-JPY

**Heavy for now.** Deepening risk aversion and slumping UST yields may continue to undercut the USD-JPY. Although the support at 107.00 held for now, the technical set-up looks negative for the pair. The spot also now hovers near the top end of the short term implied confidence intervals. 107.00 will be the first waypoint down south, before 106.70/80. Bounces may instead be capped at 107.70/80.



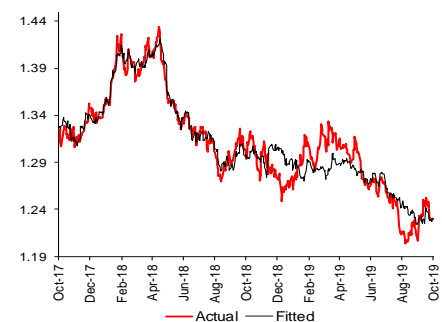
### AUD-USD

**Heavy tone.** Despite USD weakness, the AUD-USD upside remains curtailed by ongoing global growth concerns and RBA rate cut expectations. The 0.6670/90 base remains firm for now, but we do not rule out another test of this area given the deepening risk-off sentiments. On the flipside, bounces may top off around the 0.6760/80 zone.



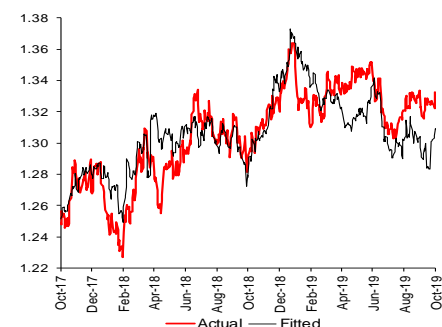
### GBP-USD

**Heavy pending new cues.** Expect a volatile few days ahead for the GBP-USD as PM Johnson handed in his Brexit blueprint. Initial responses from the EU side remain hesitant. Expect 1.2200 to be an interim base before further developments on this front.



### USD-CAD

**Choppy.** The USD-CAD, along with short-term implied valuations, spiked higher on the back of growth concerns spilling over from the US to Canada. In the near term, expect further choppy action between a wide 1.3150 to 1.3350 range.



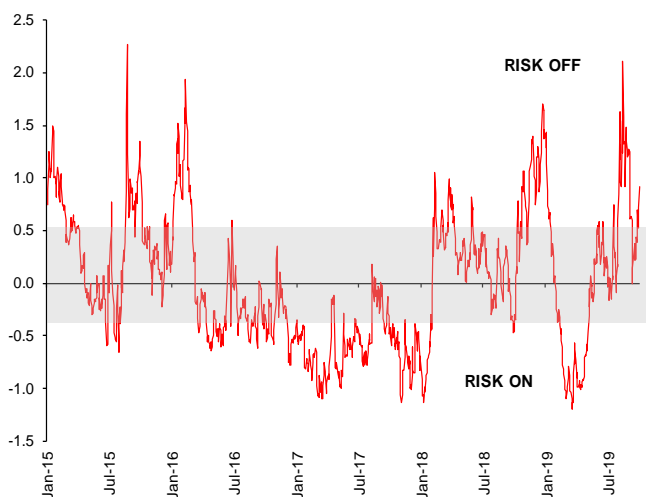
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### Asian Markets

- USD-Asia:** The USD-CNH again stayed relatively resilient amid USD weakness, staying above the 7.1400 at the time of writing. Deepening risk-off sentiments and Asian equities opening in the red this morning may add further negativity on the Asian currencies. Nonetheless, this context is set against a weak broad USD narrative. Overall, while dips in USD-Asia cannot be ruled out, we expect them to be relatively shallow for now.
- USD-SGD: Positive traction.** The weak USD narrative is filtering through slightly to the USD-SGD, but we continue to retain an upside bias as we head into the expected October MAS MPS next week. Expect dips to bottom out near 1.3800/20 for now. Meanwhile, the SGD NEER is largely static this morning at +0.91% above its perceived parity (1.3956), with NEER-implied USD-SGD thresholds easing further overnight. **At this juncture, we expect the SGD NEER to be capped under the +1.00% handle ahead of MAS, with a bias for it to drift lower into the meeting itself.** Watch official PMI print later today (1300 GMT), noting that the Markit gauge slipped further to 48.3 from 48.7 prior.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0896	1.0900	1.0959	1.1000	1.1064
GBP-USD	1.2160	1.2200	1.2300	1.2548	1.2582
AUD-USD	0.6683	0.6700	0.6715	0.6790	0.6800
NZD-USD	0.6204	0.6207	0.6265	0.6300	0.6398
USD-CAD	1.3295	1.3300	1.3327	1.3337	1.3383
USD-JPY	107.00	107.03	107.13	108.00	108.48
USD-SGD	1.3800	1.3817	1.3831	1.3857	1.3900
EUR-SGD	1.5063	1.5100	1.5157	1.5200	1.5273
JPY-SGD	1.2677	1.2900	1.2910	1.2911	1.2941
GBP-SGD	1.6929	1.7000	1.7012	1.7100	1.7248
AUD-SGD	0.9242	0.9249	0.9287	0.9300	0.9382
Gold	1495.03	1500.00	1501.00	1530.77	1559.80
Silver	17.48	17.60	17.66	17.70	18.56
Crude	52.17	52.80	52.86	52.90	55.82

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