

## Daily Market Outlook

4 October 2019

### Market Themes/Strategy

- Led by the antipodeans, the majors pulled higher against the USD on Thursday with the USD-JPY also sinking below 107.00 as UST yields dipped (bull steepened). The greenback was undermined by the weaker than expected September ISM non-manufacturing index and soggy August durable goods readings.
- Firmer US (and EM) equities and softer crude oil failed to prevent the **FXSI (FX Sentiment Index)** from probing deeper into **Risk-Off** territory on Thursday.
- Apart from comments by Rosengren (1230 GMT) and Powell (1800 GMT), the market attention will be on the September US NFP numbers today (1230 GMT). With markets already fully loaded for an October FOMC rate cut, it may require an outsized positive surprise from the NFP numbers to shake out the **very short term dollar bears**. To this end, USD-JPY may more effectively reflect USD fragility in the intervening hours ahead of tonight's NFP numbers.
- Beyond the very short term, **the global macro/inflation narrative has continued to soften (as depicted by global bonds) and we expect companion central banks to continue to bear a relatively heavier burden of adjustment compared to the Fed – leaving the USD a positive refuge once again.**

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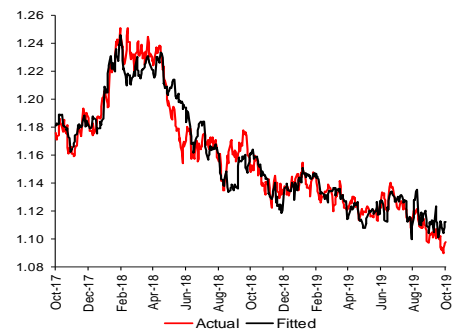
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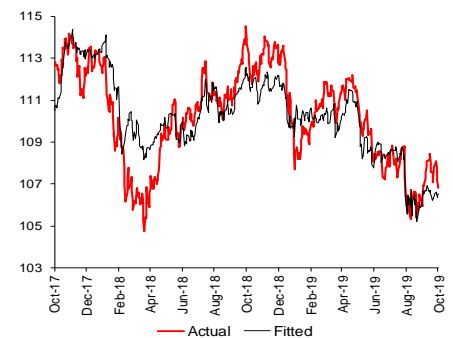
### EUR-USD

**Pause from downtrend.** With Fed rate cut expectations rising and extending deeper into 2020, expect to see continued tailwinds for the EUR-USD for now. Watch also the ongoing trade dispute between the EU and US, though it may just be a distraction for now. A re-test of 1.1000 should not be ruled out in the near term, with the 1.0940 serving as support.



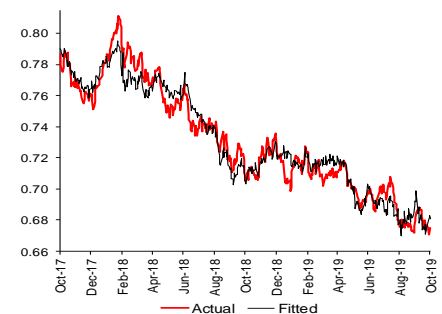
### USD-JPY

**Heavy stance.** Falling rate differential support for the USD keeps the USD-JPY depressed. This extension for the pair may still have legs, especially with UST yields still looking slippery. With the pair failing to retake 107.00, we think the path to 106.00 may be opened, with the first target at 106.50.



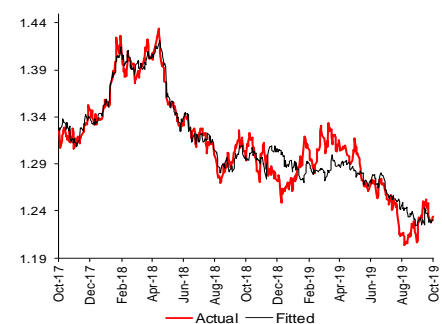
### AUD-USD

**Heavy tone.** Even though short term implied valuations are picking up, we remain somewhat suspicious of this recovery in the AUD-USD on the back of rising risk aversion. Watch resistance levels at 0.6780, then 0.6800 before reassessing.



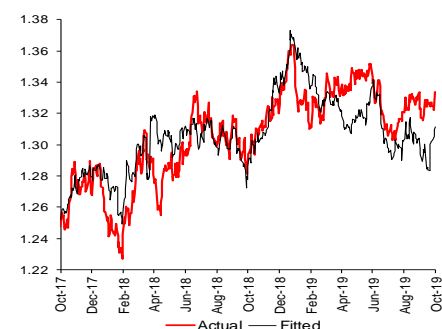
### GBP-USD

**Building base.** PM Johnson's Brexit blueprint appears insufficient to clinch the deal, but the EU seems open to revisions. Meanwhile, the prospect of his blueprint getting support from the UK Parliament provides support for the GBP-USD. For now, expect the pair to base build off the recent lows at 1.2200, potentially targeting 1.2429 in the coming sessions.



### USD-CAD

**Choppy.** Expect the USD-CAD to stay buoyant, as the spillovers from US growth concerns caused the markets to re-price Canada's own outlook. Continue to watch topside resistance at 1.3350, before 1.3385, if Canada's outlook is further impinged.



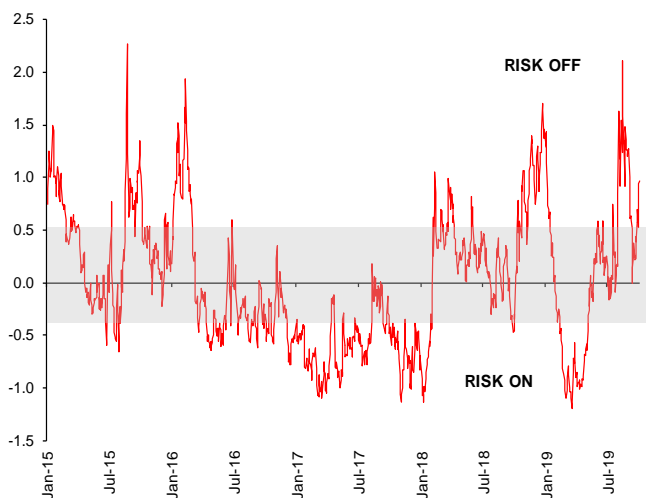
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### Asian Markets

- USD-Asia:** USD-CNH drifted below 7.1300 overnight in line with cues from the broad dollar and this should afford background support for regional FX into the end of the week. Couple this with growing risk aversion in the near term, expect USD weakness to finally impinge on USD-Asia.
- On the central bank front, expect the **RBI** today (0615 GMT) to further loosen its monetary policy further at its policy meeting, perhaps by more than expected again.
- USD-SGD:** The weaker than expected September PMI only underscores the weak macro environment but near term USD fragility may cap the upside for the USD-SGD into the end of the week. Meanwhile, the SGD NEER edged higher this morning at +0.98% above its perceived parity (1.3925), with NEER-implied USD-SGD thresholds easing further overnight.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0894	1.0900	1.0979	1.1000	1.1061
GBP-USD	1.2252	1.2300	1.2352	1.2400	1.2545
AUD-USD	0.6683	0.6700	0.6755	0.6787	0.6800
NZD-USD	0.6214	0.6300	0.6321	0.6392	0.6400
USD-CAD	1.3294	1.3300	1.3328	1.3348	1.3383
USD-JPY	104.46	106.00	106.78	106.80	106.99
USD-SGD	1.3720	1.3723	1.3792	1.3800	1.3818
EUR-SGD	1.5061	1.5100	1.5141	1.5200	1.5263
JPY-SGD	1.2677	1.2900	1.2916	1.2918	1.2941
GBP-SGD	1.6931	1.7000	1.7035	1.7100	1.7245
AUD-SGD	0.9249	0.9300	0.9316	0.9379	0.9400
Gold	1498.51	1500.00	1505.60	1528.98	1559.80
Silver	17.51	17.60	17.69	17.70	18.54
Crude	51.29	52.60	52.69	52.70	55.74

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