

Daily Market Outlook

6 November 2019

Market Themes/Strategy

- Broad USD continued its recovery in the LDN session after being listless in the Asian hours. The greenback also got a boost from a firmer than expected ISM non-manufacturing release and the resultant higher UST yields. Elsewhere, the EUR and JPY were the main underperformers, while cyclicals (with the exception of the NZD) remained resilient.
- Overall risk sentiment stayed buoyant as investors digested the headlines that tariffs implemented in September may be rolled back as part of the Sino-US Phase 1 deal – **potentially a game-changer that would imply the Sino-US progress beyond currently understood scope of the Phase 1 deal**, and perhaps sustain another leg higher in terms of risk sentiment. The **FXSI (FX Sentiment Index)** pushed yet lower, and now stands officially in the Risk-On zone.
- On the central bank front, the **RBA** held its policy rate unchanged at 0.75% as expected. However, the statement rhetoric on upcoming trajectory did not change significantly. Nevertheless, expect the RBA to be in a holding stance for now. Following from RBA and Fed last week, we get the sense that the major central banks may have already made their moves, and will probably lie low and reassess for now. **Expect market attention to instead be on evolving risk appetite and relative macro outlook between the key economies.**
- In the near term, USD bears may be somewhat shaken out after the past two sessions. We prefer to stay tactical for now, with a slight bias for further extension higher in the USD-JPY (firmer yield differential support and positive risk sentiment), and for a lower EUR-USD. With positive risk sentiment and a pausing RBA as support, the AUD-USD may however be more resilient to the USD bounce.

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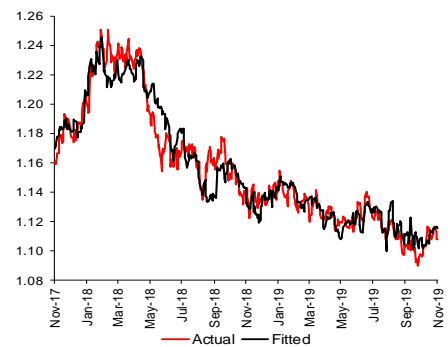
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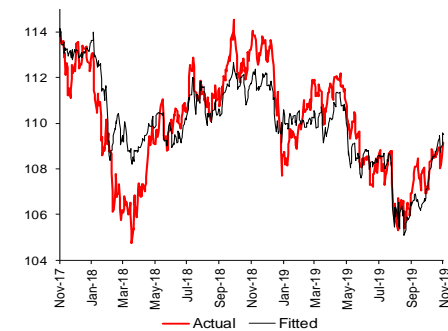
EUR-USD

Consolidate lower. The EUR-USD continued to bear the brunt of the USD bounce. Firmer support enters at 1.1050/60, and if that level is perforated, further extensions towards 1.1000 cannot be ruled out. Potential resistance at 1.1110/20.



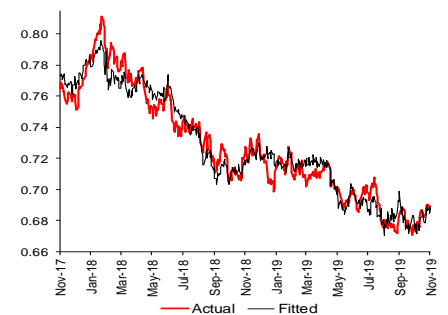
USD-JPY

Potential to break higher. If the USD-JPY can sustain above the 200-day MA (109.04), it may provide the basis for a further extension higher. Note that short term implied valuations are supportive of the ascent, with rate differentials also imparting uplift.



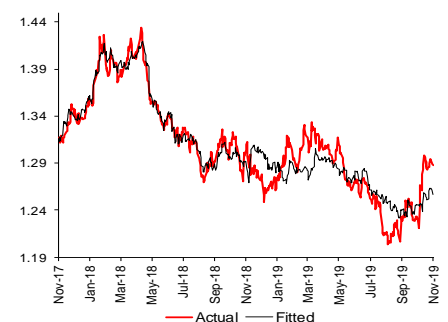
AUD-USD

Consolidate for now. Expect the AUD-USD to range for now, as positive risk sentiment is offset by the USD bounce. The 100-day MA (0.6851) should limit any dips, while the recent highs around 0.6930 should cap.



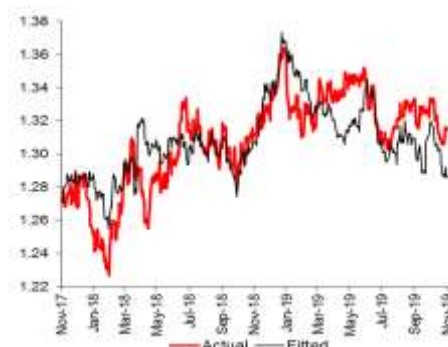
GBP-USD

Consolidate. Expect the GBP-USD to stay jittery into the run-up to the elections, with directionality likely to be determined by poll results and shifting stances at the main political parties. In the interim, expect a broad 1.2800 to 1.3000 range, with a slight bias to edge lower towards within the range.



USD-CAD

Stabilizing. The USD-CAD was effectively static despite USD resilience and weaker than expected trade deficit on Tuesday. We expect the pair to stay within a narrow range, with 1.3150 as an interim locus.



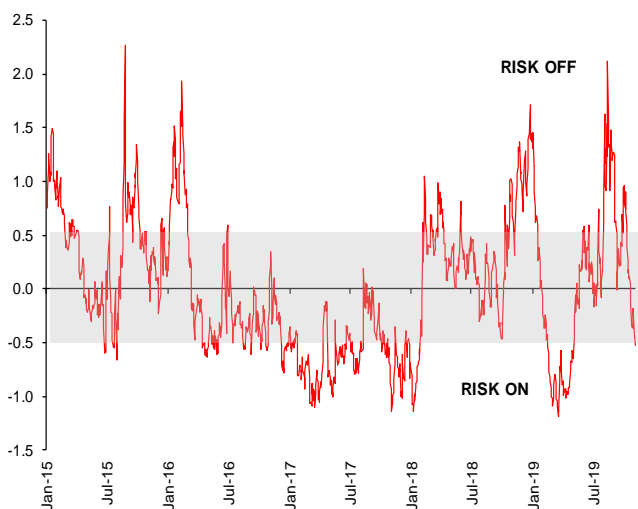
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Asian Markets

- USD-Asia:** The USD-CNH was suppressed to levels south of 6.9900, before rebounding to close just above the 7.0000 mark, on the back of further Sino-US positivity. Overnight USD resilience may impart some upside pressure on USD-Asia today. However, given the lead from USD-CNH (and a stronger than expected USD-CNY fix), any upside in USD-Asia should be limited.
- BNM** held its policy rate unchanged yesterday, accompanied by a statement that exuded confidence on the domestic economy, but highlighted global risks. **Bank of Thailand** (0705 GMT) decision is scheduled today, with the market narrowly favouring a cut.
- In the **Asian portfolio flows** front, the sustained ascent in the Philadelphia Semiconductor Index (SOX index) continues to attract inflows into the Taiwan equities and (to a lesser extent) South Korean equities. Equity inflow into Philippines continued to accelerate higher as well. On the bond front, however, improving inflow momentum into India and Indonesia, were offset by declining inflows into South Korea. In this context, apart from gains associated with risk sentiment, we find additional background support for the **TWD** and **PHP** from the portfolio flow front.
- USD-SGD:** The USD-SGD may retain a heavy bias for now, led primarily by the USD-CNH. Expect 1.3560 to be the immediate downside target, while the 1.3600 may cap for now. The SGD NEER is holding at +1.63% above its perceived parity (1.3799) this morning, with NEER-implied thresholds lower on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1007	1.1039	1.1077	1.1100	1.1179
GBP-USD	1.2708	1.2800	1.2881	1.2900	1.3013
AUD-USD	0.6800	0.6807	0.6895	0.6900	0.6930
NZD-USD	0.6300	0.6343	0.6373	0.6400	0.6449
USD-CAD	1.3042	1.3100	1.3158	1.3200	1.3215
USD-JPY	109.00	109.04	109.05	109.23	109.29
USD-SGD	1.3540	1.3558	1.3581	1.3600	1.3660
EUR-SGD	1.5000	1.5032	1.5043	1.5055	1.5100
JPY-SGD	1.2425	1.2439	1.2454	1.2500	1.2532
GBP-SGD	1.7356	1.7400	1.7493	1.7500	1.7721
AUD-SGD	0.9300	0.9353	0.9364	0.9400	0.9409
Gold	1458.30	1472.38	1488.10	1500.00	1502.42
Silver	17.29	17.50	17.57	17.60	17.87
Crude	55.52	56.90	56.95	57.00	57.21

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