

Daily Market Outlook

7 November 2019

Market Themes/Strategy

- The broad USD consolidated higher against G10 counterparts, but stayed within a narrow range on Wednesday. A slight fading of risk appetite saw the JPY supported across the G10 space. Meanwhile, the GBP underperformed as the latest poll showed signs that the Tories are losing ground in the general election.
- A stray report that the signing of the Sino-US Phase 1 deal may be postponed to December sapped risk appetite, with investors perhaps worried (justifiably) that the extended timeline may give rise to unforeseen situations. Nevertheless, the latest headline may not shake out the risk-on mode too much for now. US/global equities were mixed in response, while global core yields were led lower by gilt yields. The **FXSI (FX Sentiment Index)** pulled higher slightly but still stayed within the Risk-On zone.
- Apart from risk sentiment, note that both **20-day and 60-day correlations between the G10 FX and yield differentials are re-emerging**. We glean two takeaways from this. With 10y UST yields still looking to be on the uptrend, the widening aggregate rate differentials may lend some support to the broad USD, limiting risk-driven downside from here. Separately, Australian govie yields are leading the way higher on the back of easing RBA rate cut expectations, potentially imparting further uplift to the AUD beyond the immediate term.
- The calendar today will be headlined by the **Bank of England** rate decision (1200 GMT), where it is expected to hold and to dial back on hawkish rhetoric. Watch also for German industrial production (0700 GMT) and the ECB's Economic Bulletin (0900 GMT).
- In the near term, we note that key pairs like the USD-JPY and EUR-USD still flexing against key levels, so we still rather stay nimble and tactical. Nevertheless, we retain a slight bias to back the USD for now, especially against the EUR.

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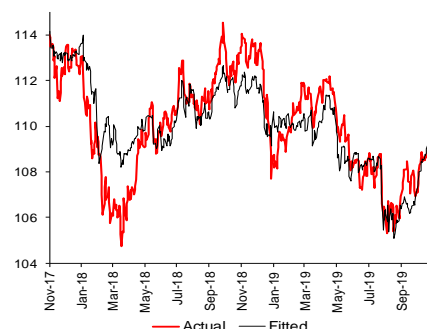
EUR-USD

Consolidate lower. The EUR-USD was slightly heavy within a narrow range near the 1.1050/60 support. Potential downside pressure targeting 1.1020 ahead, if the release of German IP and ECB Economic Bulletin point to further macro weakness in Eurozone. Topside capped at 1.1110/20.



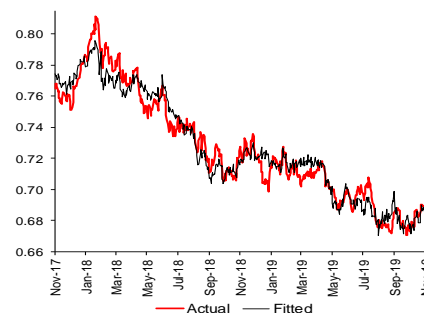
USD-JPY

Potential to break higher. The failure to sustain above the 200-day MA (109.03) may discourage USD-JPY bulls for now. Remain in a wait-and-see mode for this pair, pending more developments on the Sino-US front. Near term range should be limited to 108.20 and 109.20.



AUD-USD

Consolidate for now. With the USD holding firm for now and risk appetite taking a slight hit, the AUD-USD may see some negative pressure for now. The 100-day MA (0.6850) may be a key support level, with any dip beyond that opening up further declines to 0.6810. Topside cap at 0.6900 for now.



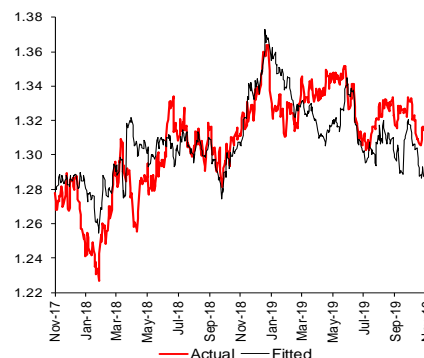
GBP-USD

Potentially softer. The GBP-USD edged lower as latest polls saw the Tories losing ground and their campaign suffering from cabinet resignations. We may have seen a near-term top at 1.3000 for the pair, and we expect it to see further downside pressure from here. Immediate southbound target stands at 1.2800. If perforated, expect further declines towards the 200-day MA at 1.2707.



USD-CAD

Stabilizing. The USD-CAD edged higher on the back of a softer crude complex, and lower Canadian yield curve. Expect immediate topside resistance at 1.3200 before 1.3220.



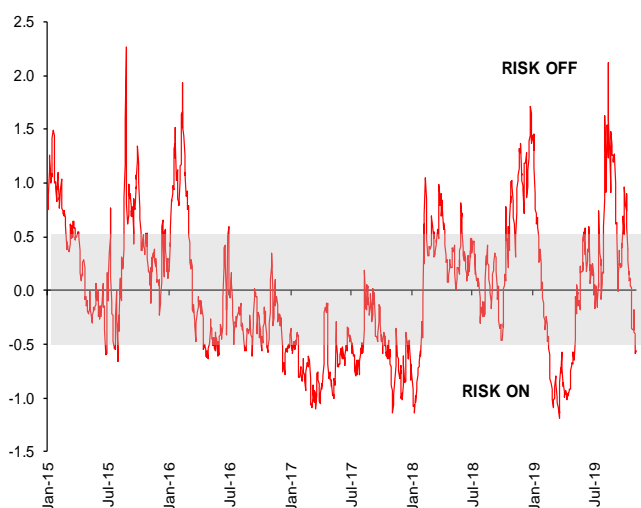
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Asian Markets

- USD-Asia:** The USD-CNH hovered around the 7.0000 mark overnight, before being taken higher – not by much – to around 7.0200 on Sino-US negativity. At current levels, we get the sense that the initial positives from the Sino-US rapprochement may have run its course, and further breakthrough will be needed to see the RMB complex another leg higher. Intraday, risk appetite is slightly shaky, and that should translate to a higher bias in USD-Asia today. Nevertheless, with overall momentum still favoring the Asian currencies, any intraday uplift should stay rather limited.
- Elsewhere, the **BOT** cut policy rates by 25 bps as expected, and also announced new regulatory changes to rein in on the THB. The USD-THB gains in the immediate aftermath were eventually reversed. **The THB has underperformed Asian peers in the recent bout of USD weakness, and BOT's measures may cause this underperformance to persist. Nevertheless, we do not expect BOT measures alone to be able to significantly shift the USD-THB trajectory. Global cues should still dominate in this respect.**
- USD-SGD:** The USD-SGD surfaced above the 1.3600, tracking the USD-CNH higher. Expect RMB and USD cues to predominate for now, with 1.3560 looking firm as a support and topside resistance at 1.3640. The SGD NEER eased lower to +1.57% above its perceived parity (1.3817) this morning, with NEER-implied thresholds edging higher on the back of USD resilience.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1018	1.1039	1.1065	1.1100	1.1179
GBP-USD	1.2707	1.2800	1.2843	1.2900	1.3013
AUD-USD	0.6800	0.6810	0.6870	0.6900	0.6930
NZD-USD	0.6300	0.6344	0.6352	0.6400	0.6448
USD-CAD	1.3042	1.3100	1.3193	1.3200	1.3213
USD-JPY	108.00	108.10	108.79	109.00	109.03
USD-SGD	1.3558	1.3600	1.3602	1.3660	1.3700
EUR-SGD	1.5032	1.5042	1.5051	1.5100	1.5162
JPY-SGD	1.2446	1.2500	1.2502	1.2533	1.2600
GBP-SGD	1.7355	1.7400	1.7469	1.7500	1.7711
AUD-SGD	0.9257	0.9300	0.9344	0.9354	0.9400
Gold	1458.30	1472.64	1492.50	1500.00	1501.61
Silver	17.30	17.60	17.61	17.70	17.86
Crude	55.52	56.30	56.33	56.40	57.22

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