

Daily Market Outlook

7 October 2019

Market Themes/Strategy – The week ahead

- Broad USD was still soft overall on Friday, closing in the red against all G10 counterparts, with the exception the JPY and the GBP. Nonetheless, the downside momentum appears to have eased somewhat. Headline NFP number was softer than expected, but the revision higher of the previous month's data provided some positive.
- Risk sentiments stabilised slightly on Friday. The pause in the decline in US Treasury yields, and firmer US/EM equities, contributed to the easing of overall risk aversion at the start of this week. The **FXSI (FX Sentiment Index)** dipped lower within **Risk-Off** territory.
- On the CFTC front, both leveraged accounts and asset managers moved in favour of the USD in the latest reading, although this may not fully account for the shift in USD sentiments last week. Notably, implied short USD bias in the asset manager accounts, first reached in 4Q 2016, now stands almost at neutral levels. Note also, a jump in AUD shorts in asset manager accounts, perhaps underlying a structural discomfort with global growth.
- This week, **attention should shift to Sino-US trade talks, although expectations for any form of deal seem low.** Until then, investors may still look to a string of Fed appearances, headlined by Powell (Tue. Wed), September FOMC minutes (Thu), and US CPI for broad USD directionality.
- **On balance, we remain cautious not to overcompensate for soft US data in the near term, and overlook ongoing global and European growth concerns. Notwithstanding the soft data last week, the US economy and the Fed still hold the upper hand. In this context, we remain conscious is chasing excessive USD downside beyond in the immediate sessions, and prefer to stay heavy on the likes of the EUR-JPY and AUD-JPY.**

Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

ngcyemmanuel@ocbc.com

Terence Wu

+65 6530 4367

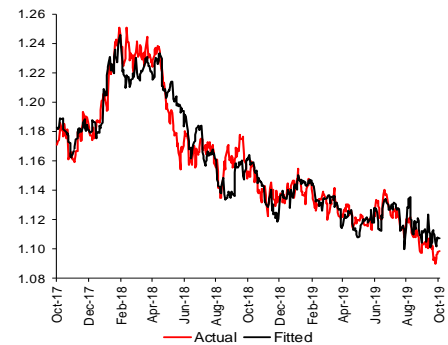
TerenceWu@ocbc.com

Daily Market Outlook

7 October 2019

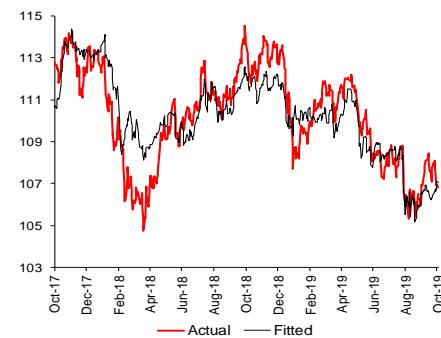
EUR-USD

Pause from downtrend. The failure to retake 1.1000 may serve to discourage some EUR-USD bulls in the short term. With market attention shifting to Sino-US trade talks, this pair may range in the coming sessions, pending developments. In the interim, expect the 1.1100 to cap topside, while 1.0940 cushions dips.



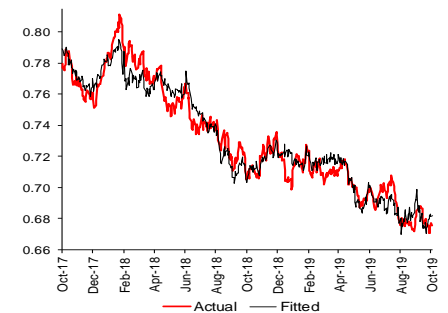
USD-JPY

Heavy stance. Expect the USD-JPY to retain a heavy stance this week, although headlines from the Sino-US trade front may create volatility. Overall, expect any topside move towards 107.00/20 to be rejected in the early week, in favour of 106.50.



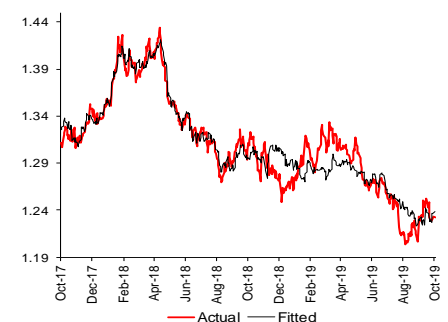
AUD-USD

Heavy tone. The AUD-USD may be beset by opposing factors for now, with risk aversion and growth concerns flexing against spillover USD negativity from last week. Meanwhile, the outcome of the Sino-US trade talks will loom large this week. Till then, we expect the recent upswing to taper off near 0.6800/20, while a floor may come in at 0.6720.



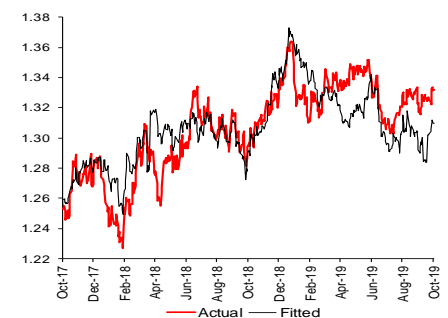
GBP-USD

Building base. Brexit pessimism appeared to seep in once again, with PM Johnson's negotiations with the EU appearing to stall, and him threatening to walk through the door on 31 October. Expect the GBP-USD to fluctuate alongside Brexit headlines for now, with 1.2200 being the first key support if sentiment sours.



USD-CAD

Choppy. The USD-CAD stayed within the 1.3350 cap for now, with the market likely to focus on Canadian data this week to gauge any spillovers from the US side. In the interim, expect the air to be scarce for the pair beyond 1.3350, then 1.3385 for now.



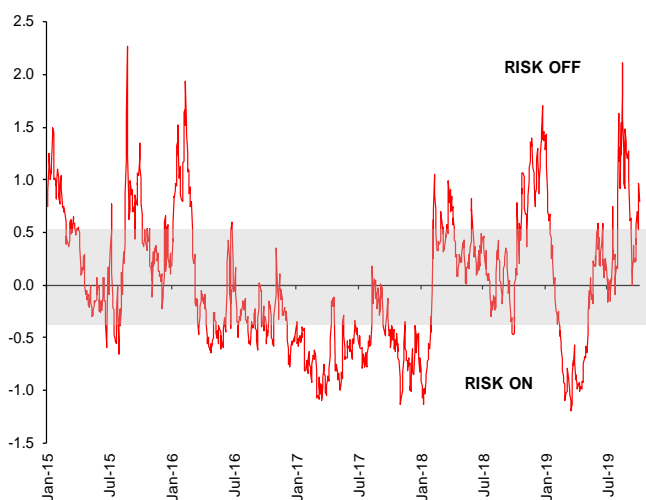
Daily Market Outlook

7 October 2019

Asian Markets

- USD-Asia:** The USD-CNH dipped on Friday towards 7.1100, but opened this morning in a buoyant mode. With the broad USD on a somewhat less slippery footing, USD-Asia may see some take-back of the declines late last week.
- On the EPFR front,** the heavy implied equity outflow in the previous week was reversed this week, while implied bond flows flipped back into net outflow territory. Abstracting from the volatile weekly reading, note that on a rolling 4-week and 12-week basis, implied equity outflows are still persistent, while implied bond flow are effectively stagnant at a small net positive. **We think this highlights a lack of improvement in investor appetite for Asian assets. Overlay this with the dovish macro outlook at the RBI following its 25 bps rate cut on Friday, we think it might still be difficult to construct a strong Asian FX theme on a structural basis.**
- USD-SGD:** This morning, the SGD NEER stood at +0.91% above its perceived parity (1.3925), with NEER-implied USD-SGD thresholds marginally higher. **With the date for the October MAS MPS still not set, we expect the top-side of the SGD NEER will be capped around the +1.0% above parity mark ahead of the meeting.** The USD-SGD meanwhile, could see some buoyancy early week, with 1.3780 possibly a firm support level for now.

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

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LinaSSSelena@ocbc.com

Emmanuel Ng

Senior FX Strategist

NqCYEmmanuel@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbc.local

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).