

## Daily Market Outlook

8 November 2019

### Market Themes/Strategy

- Risk-on dynamics in play overnight, with cyclicals (led by the AUD) outperforming across the G10 space, while the haven currencies, JPY and CHF, slipped. Except against the cyclicals, the USD was mostly supported on the back of firmer UST yields. The DXY closed above the 98.00 handle, setting a platform for a test of the 55-day MA (98.30).
- The GBP was also taken lower towards the 1.2800 support after the **BOE's** dovish hold. The market's focus was on the two MPC members voting for a rate cut and the dovish rhetoric. Overlay that with the pessimistic read in the ECB's Economic Bulletin and softer than expected German industrial production, the boost for the European complex from the pricing out of the no-deal Brexit may well be over. Expect attention to shift to relative macro outlook, and that should put the EUR on the back-foot.
- **Sustained leg higher in risk appetite, or is risk getting overly stretched?** An official announcement from the Chinese on the roll-back of existing tariffs spurred risk appetite, although the positive sentiment was tempered later when the White House is said to be resisting that move. Global equities and core yield curves searched higher in response. In particular, the 10y UST yield closed above 1.91%, underlying the uptrend seen since early October. Overall, the **FXSI (FX Sentiment Index)** took a big step deeper into the Risk-On zone. The question is whether the latest developments set the stage for another sustained run-up in risk appetite, or will it all collapse on the back of a tweet.
- In the interim, we prefer to continue backing the broad USD on widening yield differential support. This is best reflected through a potential search lower in the EUR-USD. In addition, risk-related plays may still have some room to run. We expect a higher USD-JPY, which should see buoyancy from both positive risk sentiment and yield differentials.

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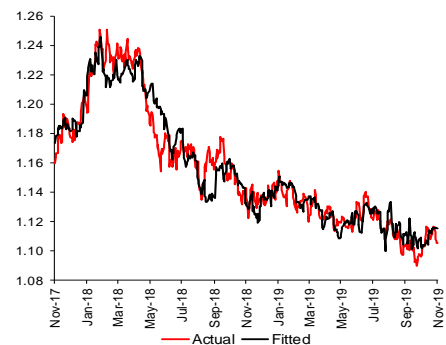
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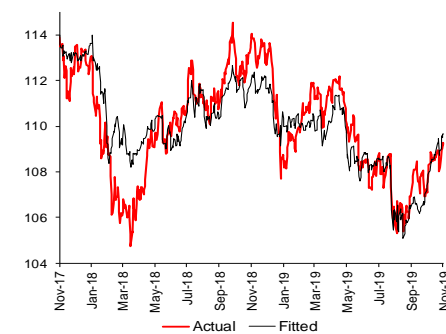
### EUR-USD

**Consolidate lower.** At this juncture, the boost from the pricing out of a no-deal Brexit on the EUR may have fully faded, with market attention shifting back to soft Eurozone outlook. That should impart negative pressure on the EUR-USD going forward. With the pair hovering south of 1.1050, further extension towards 1.1000/20 cannot be ruled out at this point.



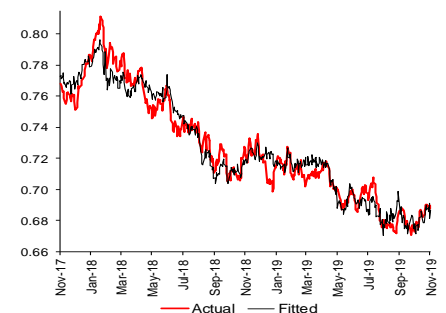
### USD-JPY

**Headline-driven.** The USD-JPY lifted back above the 109.00 mark on the latest Sino-US headline. Note also that short-term implied valuations are still northbound. Expect the pair to be headline driven for now, but the failure to sustainably move beyond the 109.20 may keep the pair within the 108.20 and 109.20 range.



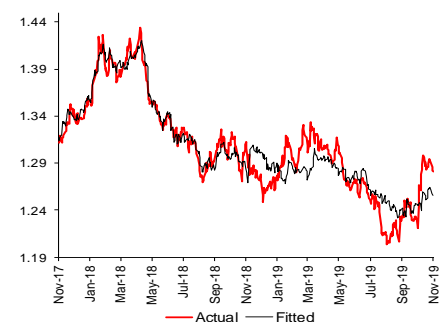
### AUD-USD

**Range-bound.** The AUD-USD may see some implicit uplift from positive risk sentiment, but that is offset to some extent by the resilient USD. The 100-day MA (0.6850) may support on the downside, with any 0.6900/20 cannot on top.



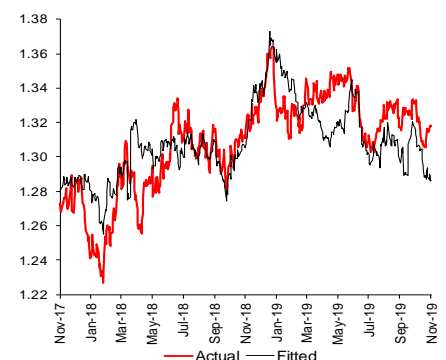
### GBP-USD

**Potentially softer.** The dovish BOE provided another downside driver for the GBP-USD, with the pair pushing close to the immediate southbound target at 1.2800. Expect the pair to be further subjected to gravity, with 1.2700/10 attracting if the 1.2800 level is breached.



### USD-CAD

**Stabilizing.** The USD-CAD stay capped under the 1.3200 if risk appetite stays positive and crude supported. The pair may trudge sideways ahead of the Canadian data dump later today.



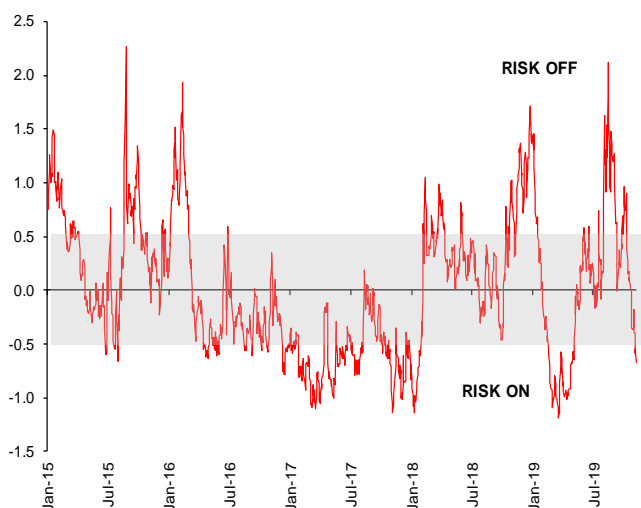
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### Asian Markets

- USD-Asia: Positive setup for Asian FX.** The USD-CNH dipped well clear of the 7.0000 mark on renewed Sino-US progress, with the roll-back of existing tariffs viewed as a game-changer. The USD-CNY morning fix came in at 6.9941, further suggesting no official objections to the spot level. China trade data also scheduled today.
- Overall, risk-on sentiment is favourable for the Asian currencies for now, although ongoing USD resilience may temper the positives somewhat. Being more sensitive to RMB and Sino-US developments, expect the North Asian currencies to outperform in the interim.
- USD-SGD:** The USD-SGD remained heavy within a tight range, with 1.3560 and 1.3620 setting firm limits on the pair for now. The SGD NEER firmed further to +1.65% above its perceived parity (1.3812) this morning.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1017	1.1040	1.1052	1.1100	1.1179
GBP-USD	1.2710	1.2800	1.2816	1.2900	1.3013
AUD-USD	0.6800	0.6813	0.6880	0.6900	0.6930
NZD-USD	0.6300	0.6345	0.6365	0.6400	0.6448
USD-CAD	1.3042	1.3100	1.3183	1.3200	1.3210
USD-JPY	109.00	109.04	109.20	109.34	109.49
USD-SGD	1.3548	1.3558	1.3587	1.3600	1.3661
EUR-SGD	1.5000	1.5010	1.5016	1.5100	1.5157
JPY-SGD	1.2400	1.2424	1.2442	1.2500	1.2533
GBP-SGD	1.7353	1.7400	1.7413	1.7500	1.7712
AUD-SGD	0.9258	0.9300	0.9347	0.9354	0.9400
Gold	1458.30	1466.13	1470.20	1499.88	1500.00
Silver	16.91	17.00	17.02	17.07	17.10
Crude	55.54	56.80	56.87	56.90	57.24

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