

Daily Market Outlook

8 October 2019

Market Themes/Strategy

- The USD saw gains against most G10 counterparts on Monday, and looked to have stabilized from last week's declines. The **EUR** once again turned back at the 1.1000 handle, with the soft macro outlook in EU still lurking in the background. The **AUD** was the main underperformer, further hampered on the back of low expectations ahead of the Sino-US talks.
- Overall level of risk aversion consolidated lower on Monday despite softer US equities. Risk sentiments were supported by the 10y US Treasury yield possibly finding a temporary base at 1.50% and a softer gold. The **FXSI (FX Sentiment Index)** ease lower, but stayed within **Risk-Off** territory.
- **Sino-US trade talks in focus.** Latest developments from both sides (Chinese side wanting to limit scope, US putting Chinese tech companies on blacklist) suggest an inauspicious run-up to the talks. Overall, indications suggest a comprehensive deal is unlikely, but the market will be on the look-out for any partial/interim deal.
- Expect USD prospects to be dependent on the Sino-US trade outcome in the near term. **A deal of sorts would likely support risk sentiments in the near term, and see the USD, JPY soften against the cyclicals. The extent of this move will then dependent on the assessment of the deal. On the flipside, a negative outcome may further depress the likes of the AUD. In this context, expect the AUD-USD to potentially find new lows, and the JPY-crosses to stay heavy.** Until the outcome, we prefer to stay heavy on the likes of EUR-JPY and AUD-JPY.

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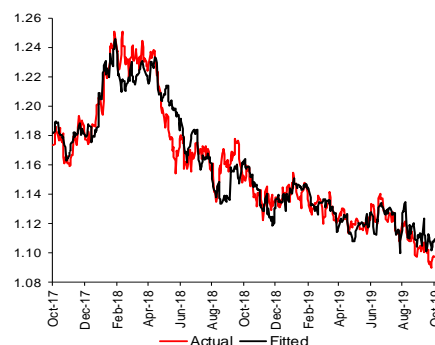
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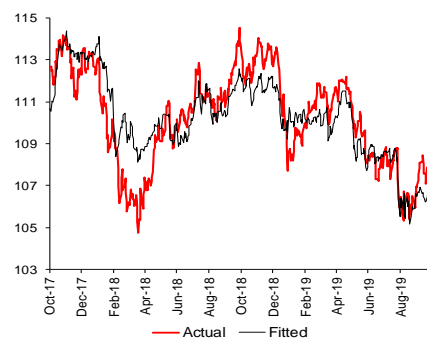
EUR-USD

Pause from downtrend. The soft German factory orders data should keep EU macro concerns not too far from the investors' minds despite the higher EUR-USD. Another failure at 1.1000 may turn the pair into a range-bound posture for now. Expect the 1.1000 to limit on the topside again, with base at 109.40/60.



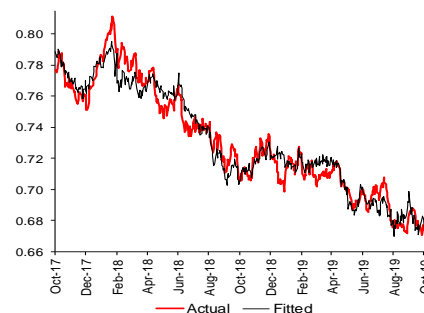
USD-JPY

Heavy stance. The USD-JPY lifted on the back of a stray report suggesting that the Chinese side is open to a partial deal. Nevertheless, expect the pair to stay range-to-heavy between 106.50 and 107.50 ahead of the Sino-US event risk, with later directionality dependent on the outcome.



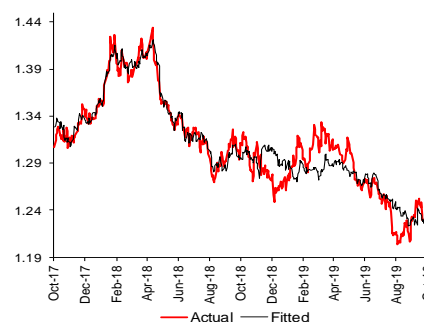
AUD-USD

Heavy tone. The AUD-USD stayed heavy as expected as it approached the 0.6720 mark on the downside. Breaking that level may open up the path to 0.6700, and then another retest of lows at 0.6680, although investors may choose to wait until after the event risk before taking sides.



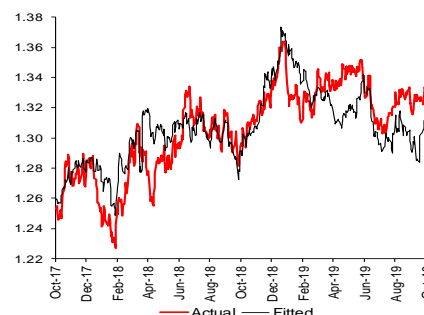
GBP-USD

Building base. PM Johnson's prospects of getting a deal done with the EU look increasingly bleak. Going forward, the pertinent question remains whether to impute further no-deal risk into the GBP-USD. At this juncture, investors appear to discount that possibility in favour of an extension of the Brexit deadline. Until further clarity, expect the pair to bounce around a wide range of 1.2200 and 1.2400.



USD-CAD

Choppy. The USD-CAD stayed steady with a slight heavy tone, on the back of firmer crude. Watch for Canadian data releases scheduled later today (1215 GMT onwards) for a quick read on the Canadian outlook in light of the US softening last week. In the interim, expect the pair to trudge the range between 1.3200 and 1.3350.



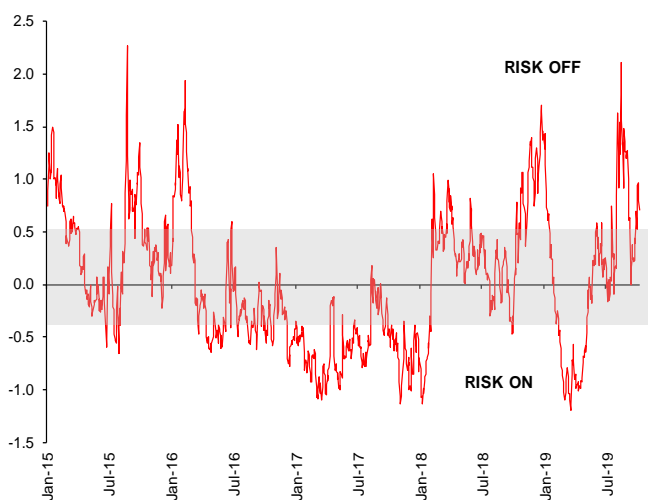
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8 October 2019

Asian Markets

- USD-Asia:** The USD-CNH stayed relatively buoyant on either side of the 7.1300 handle overnight, as China reopens with a USD-CNY fix at 7.0726, near where it stood before the holidays. The RMB complex saw a positive restart, but weaker EM FX overnight and stabilizing broad USD should keep USD-Asia relatively supported on dips.
- In line with EPFR data yesterday, actual bond inflow momentum (rolling 20-day basis) has been holding steady at a positive, but with no signs of accelerating higher. On the equity front, the actual flows suggest an improvement from net outflow to a net inflow situation. Inflow momentum for North Asian economies remain firm, supported by equities in Taiwan and bonds in South Korea. However, the South Asian experience has been sketchier, with the likes of India and Indonesia struggling to sustain inflow momentum.
- USD-SGD:** October MAS meeting is scheduled for 14 October, after the Sino-US trade talks. **As it stands, our base case is still for a slight reduction in slope to +0.5% per annum. Note however, that weak US numbers over the past week may have compounded global growth concerns further.** Expect the SGD NEER to fluctuate around the +1.0% above parity mark into the meeting itself. This morning, the SGD NEER stood at +0.98% above its perceived parity (1.3949), with NEER-implied USD-SGD thresholds higher again. Meanwhile, look for the USD-SGD to stay supported within the 1.3780 – 1.3830 range in the interim.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0892	1.0900	1.0978	1.1000	1.1054
GBP-USD	1.2213	1.2256	1.2299	1.2300	1.2548
AUD-USD	0.6676	0.6700	0.6745	0.6782	0.6800
NZD-USD	0.6222	0.6300	0.6314	0.6379	0.6400
USD-CAD	1.3262	1.3290	1.3297	1.3300	1.3341
USD-JPY	106.94	107.00	107.34	108.00	108.48
USD-SGD	1.3720	1.3722	1.3798	1.3800	1.3822
EUR-SGD	1.5066	1.5100	1.5148	1.5200	1.5239
JPY-SGD	1.2677	1.2800	1.2855	1.2900	1.2928
GBP-SGD	1.6900	1.6942	1.6970	1.7000	1.7250
AUD-SGD	0.9249	0.9300	0.9307	0.9374	0.9400
Gold	1458.30	1475.23	1497.70	1500.00	1500.09
Silver	17.05	17.40	17.43	17.50	17.56
Crude	50.99	53.00	53.06	53.10	55.60

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