

## Daily Market Outlook

9 October 2019

### Market Themes/Strategy

- A renewed risk-off tone besetting the markets, stemming from Brexit headlines and Sino-US developments, saw the USD's risk-off properties activated. The greenback marked gains against the European complex and the cyclicals. Overall, havens (JPY and CHF) outperformed, while the GBP slumped (and dragging the EUR with it) on the back of breakdown of talks between the UK and EU.
- UST yields leading bund and gilts yields lower, global equities ending in the red and firming gold prices all point to a renewed worsening of risk sentiments. The **FXSI (FX Sentiment Index)** pushed higher again in **Risk-Off** territory. Overall, expect risk sentiments to remain very shifty and headline-driven.
- **Shift in Fed-speak.** Fed-speak appeared to be converging on market expectations over the possible October cut. Note that Evans (voter) stated that he is open to another insurance cut, while analysts digging deep into Powell's latest speech/Q&A are finding some indications that he may be more open to that option compared to before. In that context, watch for more Powell comments today (1400 GMT), and Rosengren (voter, 2 dissents against Jul/Sep rate cuts) on Friday. Any further softening from Rosengren may see October cut in the bag.
- Nevertheless, put the US/Fed softening in the context of a concurrent, deepening global slowdown, which was again signposted by the new IMF head Georgieva. **On relative terms, the thesis of US/Fed being on a stronger footing may not have been significantly impinged just yet.**
- Fedspeak will, for now, be overshadowed by the Sino-US talks, and **the run-up to the talks appears increasingly difficult**, with revived chatter on restricting portfolio flows to China and implementation of a visa ban over the Uighur issue the latest salvos taken by the US side.
- **In the immediate horizon, expect a mostly consolidative, wait-and-see mode ahead of the Sino-US talks, while staying alert for swings in sentiments. Given how the run-up to it has been so far, we prefer to be siding with the USD and JPY, against the AUD.**

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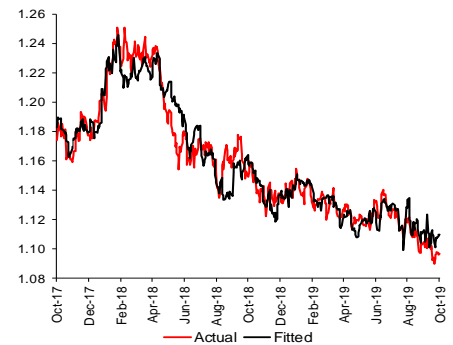
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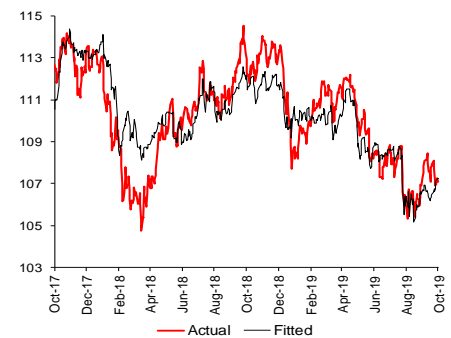
### EUR-USD

**Pause from downtrend.** Repeated rejection of the 1.1000 level may discourage EUR-USD bulls for now, although the downside is also supported by Fed rate cut expectations. With short term implied valuations not accelerating higher, we think the upside momentum may be curtailed somewhat. Continue to expect 1.1000 to cap, while the base may shift lower to 109.20.



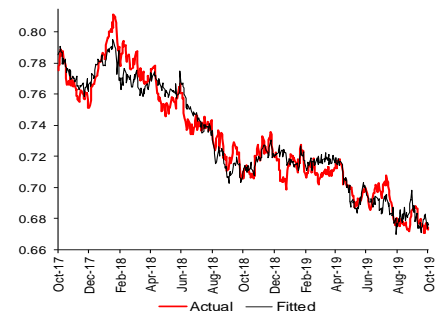
### USD-JPY

**Heavy stance.** Growing caution over the Sino-US talks capped the USD-JPY at 107.50. With the run-up not looking optimistic, we prefer to take a heavy stance on this pair, with 106.50 attracting in the interim. Nevertheless, sentiments remain very shifty, and a quick turnaround cannot be ruled out.



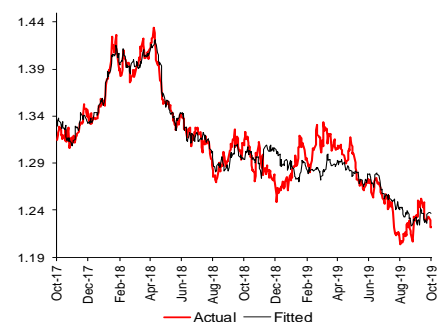
### AUD-USD

**Heavy tone.** Expect the AUD-USD to retain a heavy tone, with Sino-US issues, risk-off sentiments and ongoing growth concerns weighing. 0.6720/00 should still attract on the downside, and expect retracements to top out around 0.6760 for now.



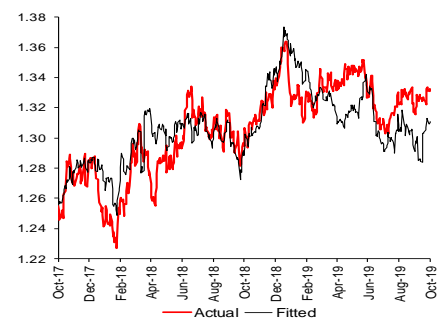
### GBP-USD

**Potential to detach lower.** The apparent breakdown of talks between Johnson and Merkel pulled the GBP-USD to the bottom of its recent range at 1.2200. The path forward remains hazy, with Johnson still (at least publicly) sticking to his threat of a no-deal separation, but is legally required to ask for an extension. If the 1.2200 level fails, expect the next support at 1.2106, before 1.2000.



### USD-CAD

**Choppy.** With the crude unable to meaningfully shake off a slide, expect the USD-CAD stayed supported within current range. Expect the 200-day MA (1.3289) to come in as a support in the interim, while any further upside extension may target 1.3350.



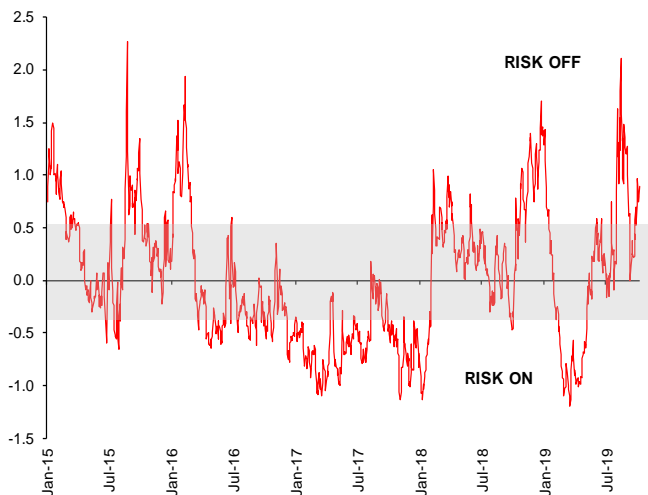
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### Asian Markets

- USD-Asia:** The difficult run-up to the Sino-US talks may have finally taken its toll on the USD-CNH, with the pair lifted higher overnight towards the 7.1700 level. A business-as-usual USD-CNY morning fix (7.0728) provided some scope for a pull-back early Wednesday. However, with risk-off sentiments across the board, and background macro concerns still swirling, any pullback in USD-Asia should remain shallow.
- The latest Bank of Thailand meeting minutes** continued to show concerns over the export-led manufacturing slump, yet another confirmation of the soft macro prospects for the Asia. Overall, expect Asian central banks to continue to easing actions and soft rhetoric. Central banks with policy room (read RBI, BI) would probably retain a cutting preference, while those without seek to appeal for fiscal action.
- USD-SGD:** The SGD NEER to eased lower to +0.93% above its perceived parity (1.3949) this morning, with NEER-implied USD-SGD thresholds effectively unchanged. Meanwhile, continue to expect a supported stance within the 1.3780 – 1.3830 range for the USD-SGD.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0887	1.0900	1.0965	1.1000	1.1052
GBP-USD	1.2180	1.2200	1.2217	1.2256	1.2300
AUD-USD	0.6672	0.6700	0.6741	0.6779	0.6800
NZD-USD	0.6229	0.6300	0.6312	0.6374	0.6386
USD-CAD	1.3289	1.3300	1.3316	1.3346	1.3383
USD-JPY	106.90	107.00	107.17	108.00	108.48
USD-SGD	1.3721	1.3800	1.3823	1.3825	1.3858
EUR-SGD	1.5066	1.5100	1.5157	1.5200	1.5236
JPY-SGD	1.2677	1.2800	1.2899	1.2900	1.2934
GBP-SGD	1.6800	1.6857	1.6888	1.6900	1.6944
AUD-SGD	0.9249	0.9300	0.9319	0.9372	0.9400
Gold	1458.30	1475.70	1497.20	1500.00	1501.63
Silver	17.59	17.70	17.80	17.80	18.48
Crude	50.99	52.40	52.43	52.50	55.48

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