

Daily Market Outlook

10 October 2019

Market Themes/Strategy – So much noise

- The USD was on the divergent path overnight, printing further gains against most G10 counterparts but slumping against the EUR. However, shifty risk sentiments this morning – initial risk off sentiments sparked by the possible early departure of the Chinese delegation offset by the later headline that the US side is considering a currency pact as part of a partial deal – imparted significant volatility early in the day.
- The **FXSI (FX Sentiment Index)** dipped slightly within **Risk-Off** territory on the back of firmer global core yields and global/US equities. Overall, expect jittery risk sentiments to still persist in the Asian and London sessions.
- Elsewhere, the September FOMC minutes are unlikely to shift rate cut expectations for the October meeting. Even though the September minutes perhaps point to no further rate cuts, the domestic downside risks probably worsened in the intervening three weeks. Thus, the FOMC view may have moved closer to dovish market expectations, rather than the other way.
- Into the end of the week, we are effectively just reduced to headline watching on the Sino-US trade front and positioning for risk-on / risk-off trades as the sentiments shift. **Further out however, the likelihood of a material deal may be diminishing (if not already non-existent), this may limit the shelf-life of any outcome from the talks.** Expect the markets to eventually revert to comparing relative macro outlooks and central bank dynamics post event risk for the next leg of directional cues.

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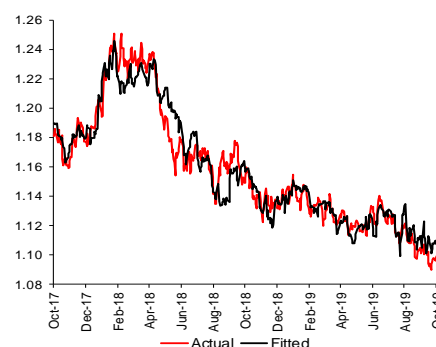
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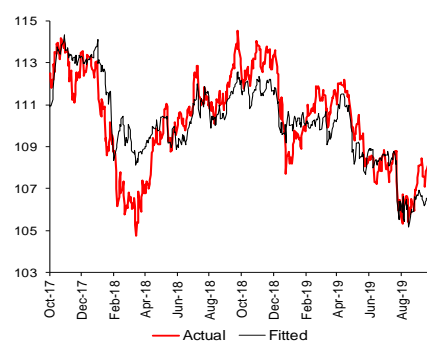
EUR-USD

Pause from downtrend. Expect the EUR-USD to be in a largely holding posture as the focus remains on the Sino-US trade front, as long as the 1.1000 level continue to stay intact. Note that the pair stands at the bottom end of the short-term implied valuation band. Expect first level topside resistance at 1.1000, before 1.1020, while the downside support stays at 109.20/40.



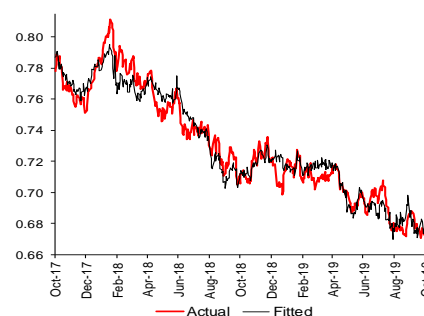
USD-JPY

Heavy stance. Expect the USD-JPY to be reactive to Sino-US trade headlines and shifting risk sentiments in the interim, even though the rising short-term implied valuations suggest an underlying upside bias. Resistance may have shifted higher towards 107.80/00, while the support comes in at 107.00 as we wait out the event risk.



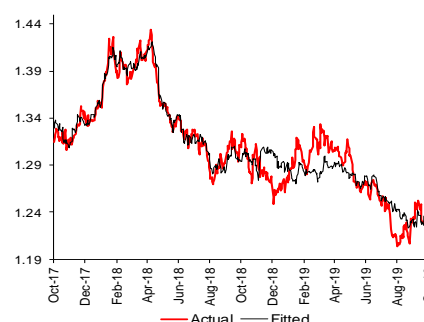
AUD-USD

Heavy tone. Like the USD-JPY above, expect the AUD-USD to stay tethered to jittery risk sentiments. Assuming no material trade deal, we retain a preference to sell the pair on bounces, targeting 0.6720/00 on the downside.



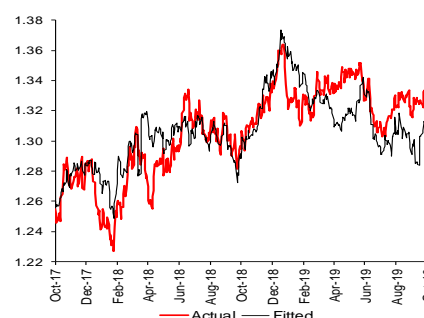
GBP-USD

Potential to detach lower. Expect the GBP-USD to continue flexing against the 1.2200 mark for now, as the Johnson shifts his attention to talks with the Irish PM Varadkar. We stay heavy on the pair pending further clarity, expecting 1.2106 to attract when the 1.2200 floor is breached.



USD-CAD

Range. The USD-CAD edged higher overnight towards 1.3350 top end of recent range on higher than expected US oil inventories, but dipped lower on risk on sentiments early today. Expect the pair to persist within range for now.



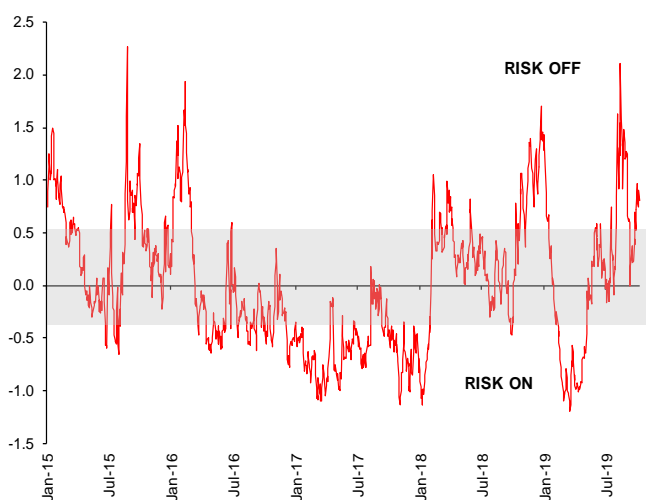
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Asian Markets

- USD-Asia:** The USD-CNH seeing swings early this morning, whipsawed by headlines on the Sino-US trade front. Like the G10 space, expect to be trading on headlines and shifting sentiments for the Asian currencies till the end of the week. Expect the likes of the USD-CNH and USD-KRW to be more responsive in the interim, compared to the South Asian currencies. For now, with the USD-CNH dipping lower to 7.1100 levels, expect some shelter for the USD-Asia currencies on an intraday basis.
- Note that there EM Asian risk premiums are not riding higher on the back of recent Sino-US developments. **This suggests a capitulation of Asian currencies is not in the cards, even if the talks were to produce no material progress.** More likely the case, we think, will be the eventual reversion to a macro growth focus, where the pessimistic outlook points to a broad negative environment for Asian currencies. In this context, look for currencies with positive idiosyncratic drivers, like the **TWD** (equity inflow momentum) and **THB** (risk off properties) to potentially outperform.
- USD-SGD:** On the USD-SGD front, we expect the 1.3780 – 1.3830 range to remain a firm corridor into the MAS meeting, unless we see a material development in the trade front. In response, expect the SGD NEER to hover in the vicinity of +1.0% above parity. For now, the SGD NEER stands at +1.07% above its perceived parity (1.3933), with NEER-implied USD-SGD thresholds lower on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0891	1.0900	1.0990	1.1000	1.1050
GBP-USD	1.2163	1.2200	1.2228	1.2258	1.2300
AUD-USD	0.6671	0.6700	0.6746	0.6778	0.6800
NZD-USD	0.6237	0.6300	0.6312	0.6367	0.6369
USD-CAD	1.3289	1.3300	1.3316	1.3351	1.3383
USD-JPY	106.91	107.00	107.52	108.00	108.48
USD-SGD	1.3720	1.3726	1.3785	1.3800	1.3825
EUR-SGD	1.5068	1.5100	1.5150	1.5200	1.5227
JPY-SGD	1.2677	1.2800	1.2820	1.2900	1.2933
GBP-SGD	1.6800	1.6830	1.6856	1.6900	1.6946
AUD-SGD	0.9249	0.9283	0.9300	0.9370	0.9440
Gold	1500.00	1504.82	1509.10	1529.66	1559.80
Silver	17.62	17.80	17.89	17.90	18.47
Crude	50.99	52.50	52.52	52.60	55.36

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