

Daily Market Outlook

11 November 2019

Market Themes/Strategy – The week ahead

- The DXY index closed the week at 98.35 last Friday, above its 55-day MA level, potentially giving the broad USD a positive setup for this week. Cyclical also underperformed last Friday, led by the NZD and AUD, whereas the JPY was supported, on renewed Sino-US concerns.
- **Risk sentiment is essentially on again off again, oscillating almost on a day to day basis.** The latest headline indicating that Trump has not agreed to the roll-back of existing tariffs definitely set a negative tone at the start of this week. Global core yield curves and equities mixed in response. Overall, the **FXSI (FX Sentiment Index)** retraced higher towards the Risk Neutral area, but stayed within the Risk-On zone.
- On the **CFTC** front, the investment community was split over the USD in the latest week. Longer term, asset manager accounts took a big step against the USD, increasing their net short USD bias significantly. But the shorter term players were mixed with leveraged accounts slightly increasing their net implied long USD bias, but non-commercial accounts slightly reduced them.
- Data highlights this week include CPI prints across Europe and US (starting Tue), and also German and Eurozone 3Q GDP prints (Thu). On the central bank front, apart from the heavy schedule of Fed speakers, watch for **RBNZ** decision (Wed) and Powell's testimonies to the Senate and House committees (Wed, Thu).
- For this week, we remain stuck to parsing the Sino-US trade headlines for short term directional cues. **A large degree of positives may have already been priced in at current levels, and the market's base case has also shifted from holding existing tariffs to a roll-back. Therefore, the bar for positive surprises on the Sino-US trade front may be getting higher and higher.**
- In that context, note that the AUD remains trapped in its downtrend channel despite all the Sino-US progress. It may instead turn heavy from here if positive surprises become harder to come by. The implicit heaviness on the broad USD from Sino-US progress may also ease, as the market turns its attention to the firmer UST yields and yield differential support. We prefer to reflect our USD-positive stance by staying negative on the EUR and GBP for now.

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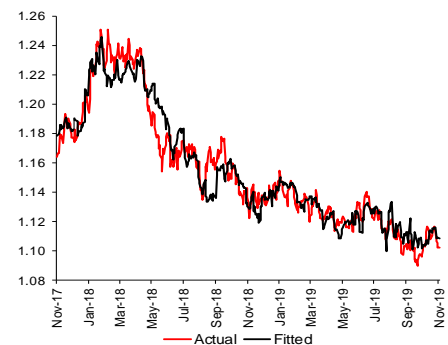
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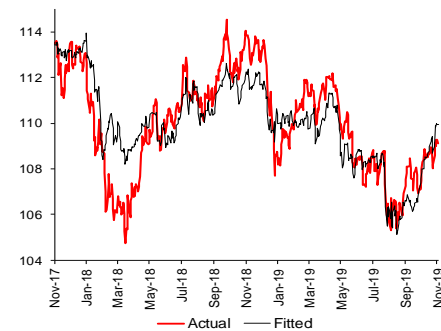
EUR-USD

Pointing south. The EUR-USD may retain a heavy posture this week, with key data releases once again likely to impart negativity. The 1.1000 level now firmly in sight on the downside, with near-term resistance coming in at the 55-day MA (1.1040). Note that the short term implied valuations have turned south again.



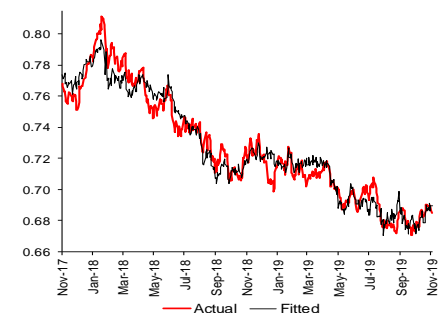
USD-JPY

Headline-driven. The short-term implied valuations for the USD-JPY extended further northward, despite the negative trade headlines on Friday. Staying above the 200-day MA (109.03) will keep the pair on an upside bias, with 109.50 as a near term target. In the interim, expect a 109.00 – 109.50 range for the pair, pending further trade developments.



AUD-USD

Range-bound. The AUD-USD appears unable to shake off negativity. With the pair being nearer to the top of recent ranges, we may see the pair more reactive to negative Sino-US headlines than positive. If the 100-day MA (0.6850) is breached, the next downside support will be at 0.6800/10.



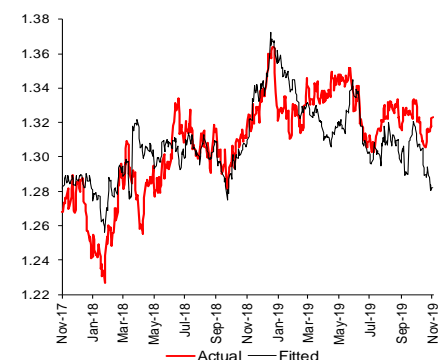
GBP-USD

Easing lower. With the 1.2800 level broken, the next waypoint down south for the GBP-USD is the 200-day MA (1.2704). Any further slipping by the Tories in upcoming polls may impart negativity to the pair in the near term.



USD-CAD

Turning higher. Weaker than expected employment prints translated to increased rate cut expectations at the Bank of Canada once again, imparting implicit buoyancy to the USD-CAD. Expect the USD-CAD to stay support for now, with the 55-day MA (1.3218) and 1.3200 level coming in as supports.



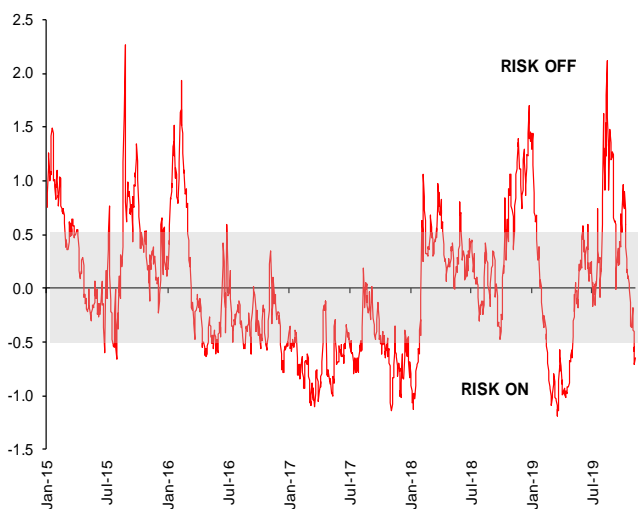
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Asian Markets

- **USD-Asia:** The USD-CNH stayed below the 7.0000 mark despite the negative Trump headlines, but USD-Asia may not be able to withstand the firmer USD and risk-off start to the week.
- China exports last Friday declined by less than expected, but focus will still be on the Chinese data dump featuring monetary aggregates, industrial production and retail sales later in the week. Heavy flow of data releases across the rest of Asia as well. **We reiterate that for Asian FX strength to be sustained, the driver has to (eventually) move from Sino-US progress to economic recovery.** For now, we only see very early signs of that through the OECD leading indicators.
- On the **EPFR** front, both implied equity and bond inflows were slightly lower compared to be previous week. Nevertheless, this marks the 2nd consecutive week of implied inflows on the equity front, and 5th consecutive week in the bond front. This matches up with the improvement seen in the actual portfolio flows front, suggesting that the implicit background support for the Asian currencies may be returning in a tentative fashion.
- **USD-SGD:** The USD-SGD surfaced above the 1.3600 mark as negative Trump headlines weigh on the Asian currencies. Nevertheless, the pair should still remain implicit heavy, unless it can rise clear of the 1.3620/30 resistance this week. The SGD NEER stayed steady at +1.65% above its perceived parity (1.3828), with NEER-implied USD-SGD thresholds higher to start the week.

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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