

## Daily Market Outlook

11 October 2019

### Market Themes/Strategy

- **USD** and the other haven currencies (**JPY** in particular) were cut down on the back of a shift in sentiments towards risk-on, after positives were drawn from both the Sino-US and Brexit fronts. Cyclical, led by the **AUD**, outperformed.
- Amidst the risk positive tone, global core yields and equities stepped higher. The **FXSI (FX Sentiment Index)** saw a big dip lower. Although it still stays within **Risk-Off** territory, it is effectively at boundary of the Risk-Neutral zone.
- The market appeared to be caught out by the positive meeting between Johnson and Irish PM Varadkar, causing a big spike in the **GBP** (note also sharp move in favour of GBP calls in the options market). The strong showing in the GBP also pulled the **EUR** higher, with the EUR-USD breaking through the key resistance at 1.1000.
- Elsewhere, latest **ECB minutes** revealed a very split Governing Council (GC), with the latest round of quantitative easing seeing push-back from a third of the GC. Note also, German exports contracted -1.80% mom, giving us a timely reminder of the macro quagmire in Europe and not to be overly carried away by the near-term upswing in the EUR.
- **Sino-US trade talks: Nearer to some sort of deal?** We are not sure. Latest indications suggest positives, but all it takes is one tweet, one headline to change the landscape. We would perhaps look for the postponement of the tariffs scheduled to be imposed on 15 Oct as a first sign of positive outcomes. **The current situation points to a heavy USD posture, but given the shifty sentiments, we urge caution in excessively chasing the risk-on trades higher.** Further out, the broad USD uptrend is still not impeded just yet.

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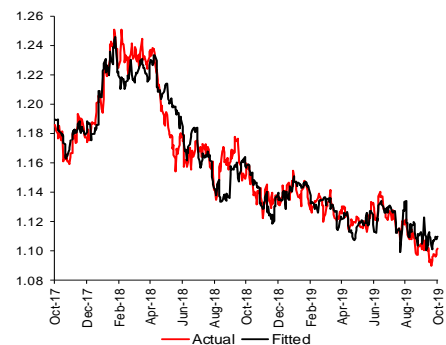
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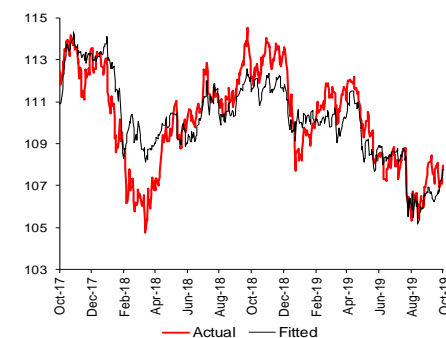
### EUR-USD

**Buoyant for now.** The 1.1100 was finally taken out on the back of a risk positive tone. In the interim, we look for a near-term extension towards 1.1020 and 1.1050, while 1.1000 turns into a support level. Nevertheless, with softer than expected German exports as a reminder, we remain hesitant in extrapolating the recent upswing the EUR too far into the future.



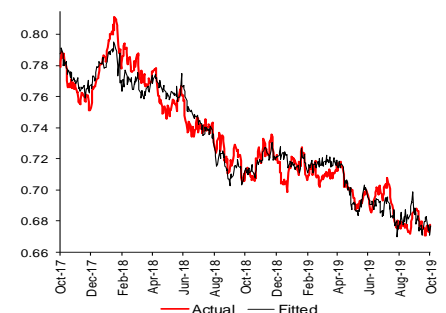
### USD-JPY

**Turning into an upswing.** With positives in the Sino-US front appearing to take hold (and short term implied valuations supportive), expect the USD-JPY to exhibit upside bias if the optimism holds into next week. If the 108.00 level is taken out, the next upside waypoint would be closer to 108.40/50. The usual caveats about shifty sentiments apply, and keep a close watch on evolving headlines.



### AUD-USD

**Heavy tone.** The AUD-USD pushed higher on Thursday, but remains capped by the 0.6780/00 resistance. Until that level is taken out, we prefer to stay on the short side of the pair, selling on bounces in favour of 0.6700/20.



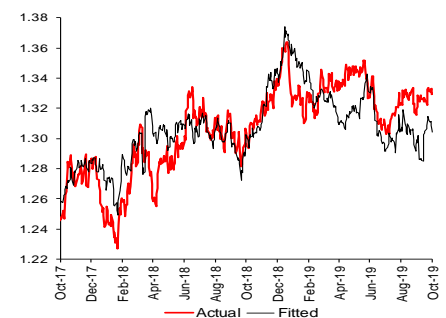
### GBP-USD

**Back into range pending cues.** Markets appear somewhat caught out by the positives coming out of the Johnson-Varadkar meeting. Attention shifts towards the Barnier-Barclay later today. In the interim, any further upside extension may negate recent downtrend.



### USD-CAD

**Range.** The USD-CAD eased to the lower end of the recent range. Apart from risk sentiments, expect the firm tone by OPEC to support crude oil prices to impart support the CAD. Watch for downside support levels at the 200-day MA (1.3288) and 100-day MA (1.3245) for now.



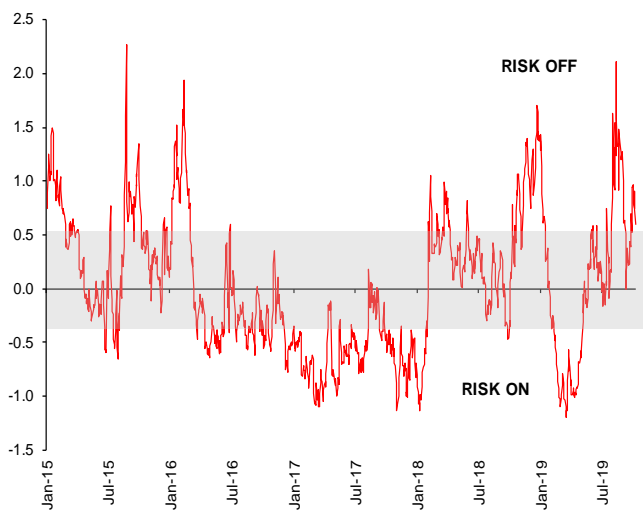
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### Asian Markets

- USD-Asia:** The USD-CNH slumped south of the 7.1000 handle, on the back of Sino-US positives. Expect Asian currencies to be supported by the overall risk-on environment. In this context, expect USD-Asia to be heavy today, with **USD-KRW** likely to be more responsive than the rest.
- South Asian currencies remains relative less responsive to the Sino-US headlines. In particular, note renewed efforts by the **Bank of Thailand** to curtail **THB strength**, this time focusing on regulations to facilitate foreign investment by Thais and to allow exporters to park money overseas.
- USD-SGD: MAS MPS on Monday.** The USD-SGD broke lower, tracking the USD-CNH move. In response, the SGD NEER moved higher to +1.24% above its perceived parity (1.3912), with NEER-implied USD-SGD thresholds easing lower. For the MAS decision on Monday, despite noting that the downside risks to the global economy arguably increased over the past two weeks, we stick to our guns, keeping with the view that the MAS will reduce the slope of SGD NEER appreciation slightly to +0.50% pa.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0896	1.1000	1.1017	1.1048	1.1068
GBP-USD	1.2268	1.2400	1.2443	1.2500	1.2561
AUD-USD	0.6680	0.6700	0.6773	0.6778	0.6800
NZD-USD	0.6243	0.6300	0.6327	0.6357	0.6365
USD-CAD	1.3269	1.3288	1.3294	1.3300	1.3348
USD-JPY	106.95	107.00	107.96	108.00	108.48
USD-SGD	1.3720	1.3724	1.3740	1.3800	1.3823
EUR-SGD	1.5069	1.5100	1.5137	1.5200	1.5218
JPY-SGD	1.2677	1.2700	1.2727	1.2800	1.2927
GBP-SGD	1.6958	1.7000	1.7096	1.7100	1.7265
AUD-SGD	0.9249	0.9300	0.9306	0.9369	0.9400
Gold	1458.30	1475.90	1494.30	1500.00	1506.00
Silver	17.08	17.50	17.57	17.60	17.64
Crude	50.99	53.80	53.83	53.90	55.38

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