

Daily Market Outlook

12 November 2019

Market Themes/Strategy

- The broad USD consolidated lower on the day on Monday, driven mostly by a stronger European complex, on the back of a strong performance from the GBP. With no new developments on the Sino-US front, cyclical currencies went in separate directions (AUD, CAD underperformed, but NZD outperformed), but remnant risk-off tone from the weekend kept the JPY and CHF largely supported.
- Elsewhere, the volatile **Hong Kong** situation also kept overall risk appetite somewhat subdued. The **FXSI (FX Sentiment Index)** retraced higher for the second consecutive session towards the Risk-Neutral area, but stayed within the **Risk-On** zone.
- Despite a mixed to weaker set of data releases in the UK, headlined by a miss in 3Q19 GDP print, the GBP outperformed on headlines that the Brexit Party will not be running against the Tories. This increases the odds for the Tories returning with a stronger majority, and eventually delivering Brexit on the existing deal – GBP-positive. If we see a small Tory majority, or another hung parliament, the picture may potentially be muddled once again – GBP-negative.
- The calendar will be headlined by the German ZEW survey (1000 GMT) and comments from Fed's Clarida (1030 GMT).
- Overall, we prefer to stay nimble and tactical as short-term directional cues for the risk-related plays will still be pending new developments on the Sino-US front. Apart from that, we also prefer to lean against the EUR for now, as it might see some data related heaviness this week, with the main focus being on the German and Eurozone 3Q GDP prints (Thu).

Treasury Research

Tel: 6530-8384

Terence Wu

+65 6530 4367

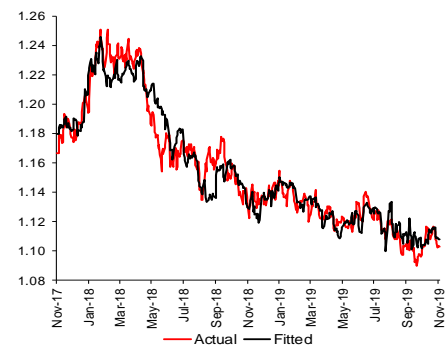
TerenceWu@ocbc.com

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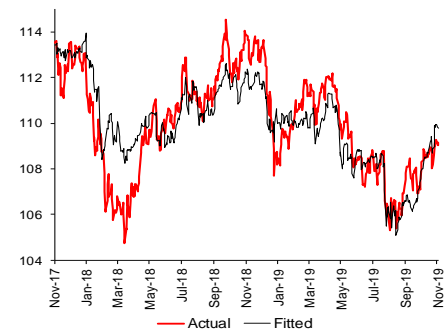
EUR-USD

Pointing south. With the back-lift from a firmer GBP stopped right at the 55-day MA (1.1039), the downside for EUR-USD may still be in play, targeting the first downside at the 1.1100 level. Key data releases may weigh on the pair across this week, starting from the German ZEW survey today (1000 GMT).



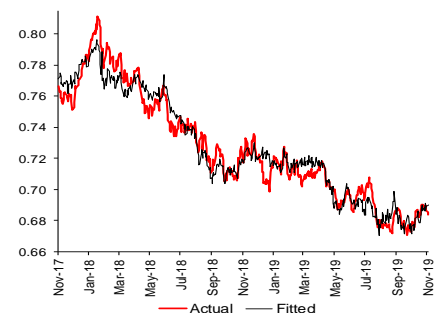
USD-JPY

Headline-driven. Even as the USD-JPY is weighed down by spill-over caution from the weekend, the ability to stay above the 200-day MA (109.03) may have kept the slight upside bias intact. Note that short term implied valuations remain elevated. In the interim, we continue to expect 109.00 and 109.50 to book-end the pair, pending developments.



AUD-USD

Range-bound. The AUD-USD dipped lower this morning, in sympathy with the NZD-USD. Overall, expect the AUD-USD to retain a slight heavy bias, with risk-reward favouring a move towards 0.6800/10, rather than 0.6900.



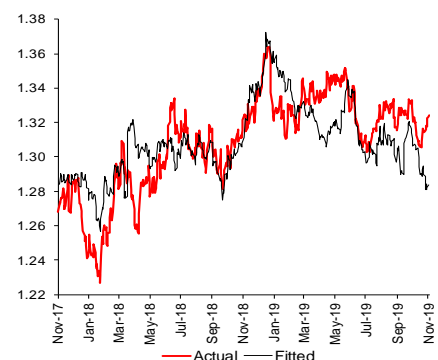
GBP-USD

Easing lower. Positive electoral developments for the Tories lifted the GBP-USD back into the 1.2800 to 1.3000 range. With the outlook now brighter for the Tories, the GBP-USD may instead turn supportive, but much is still dependent on polls. In the interim, expect a topside resistance at 1.2900 and support at 1.2800 for the pair.



USD-CAD

Turning higher. The USD-CAD extended higher on a softer crude complex and a general risk-off sentiment. Investors will likely watch upcoming comments by BOC's Poloz (Thu) closely to discern easing prospects at the BOC. With the pair moving clear of the 55-day MA (1.3217), we do not rule out a further test of the 200-day MA (1.3277) ahead of Poloz.



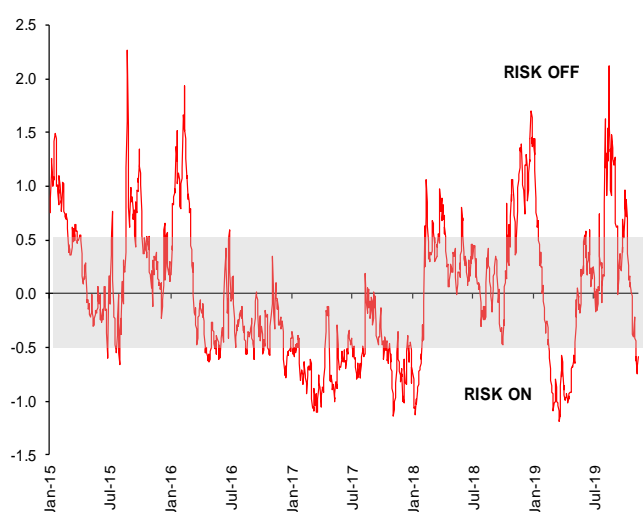
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Asian Markets

- **USD-Asia:** Weaker EMFX and equities overnight may set a negative tone for Asian currencies, with the USD-CNH also lifted higher above the 7.0000 mark. After hitting a low last Thursday, the downside momentum for the USD-CNH seemed to have eased somewhat, perhaps giving some credence to the view that concrete Phase 1 progress is needed for the USD-CNH to detach materially lower from the 7.0000 mark.
- Separately, we note that the KRW may be getting somewhat rich after the recent run-up. In contrast to the TWD, which has seen its own run-up backed by increasing equity inflows, the inflow momentum into South Korea has moderated significantly over the same period. This suggests that the KRW run-up may have limited drivers apart from Sino-US headlines, thus leaving room for an abrupt turn if Sino-US progress falters. In the interim, expect the USD-KRW to see further upside if it can breach the 200-day MA (1167.58), and the TWD-KRW to build base off 38.0000 for a push higher to the 55-day MA (38.4717).
- **USD-SGD:** The USD-SGD stayed above the 1.3600 as a slight risk-off lifted USD-Asia pairs. Nevertheless, the 1.3620 remains a firm resistance, leaving the pair trapped between the 1.3560 to 1.3620 range. The SGD NEER held at +1.62% above its perceived parity (1.3834), with NEER-implied USD-SGD thresholds edging higher again. On the macro front, Sep retail sales expected today (0500 GMT).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1010	1.1027	1.1042	1.1100
GBP-USD	1.2777	1.2800	1.2852	1.2900	1.2979
AUD-USD	0.6800	0.6817	0.6835	0.6900	0.6928
NZD-USD	0.6300	0.6304	0.6329	0.6345	0.6400
USD-CAD	1.3200	1.3208	1.3247	1.3257	1.3277
USD-JPY	109.00	109.03	109.16	109.42	109.49
USD-SGD	1.3560	1.3600	1.3614	1.3662	1.3672
EUR-SGD	1.4973	1.5000	1.5012	1.5100	1.5146
JPY-SGD	1.2400	1.2421	1.2472	1.2500	1.2535
GBP-SGD	1.7383	1.7400	1.7498	1.7500	1.7687
AUD-SGD	0.9273	0.9300	0.9306	0.9351	0.9400
Gold	1448.90	1455.04	1456.70	1496.56	1500.00
Silver	16.77	16.80	16.83	16.90	17.75
Crude	55.64	56.60	56.66	56.70	57.28

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbc.local

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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