

## Daily Market Outlook

13 August 2019

### Market Themes/Strategy/Trading Ideas

- Global uncertainty and risk aversion saw the antipodeans slipping on Monday and the CHF and JPY outperforming on the crosses with UST (and bund) yields, led by the back end, headed lower. 10y UST yields were around 1.64% at the NY close
- **Significantly Risk-Off.** Negative EZ/US/EM equities and higher gold saw the **FX Sentiment Index (FXSI)** spike higher into Risk-Off territory. We think the risk appetite environment is increasingly unsettled with (unrelated) stress points (HK vs. Argentina) feeding into generalized global risk aversion levels. **In particular, the bull-flattening bias (US3/30s fell below 20bps overnight) globally only underscores the increasingly dire prognosis infecting markets at this juncture.**
- Meanwhile, Sino-US trade war concerns (investors increasingly spooked by prospects of no trade deal this year) may continue to circulate. In the short term, classic symptoms of negatively pressured cyclicals (and EM) coupled with outperformance of haven currencies (JPY and CHF) may persist intra-day. **Yield seekers are therefore expected to stay off the grid with risk-off trades likely in favor.**

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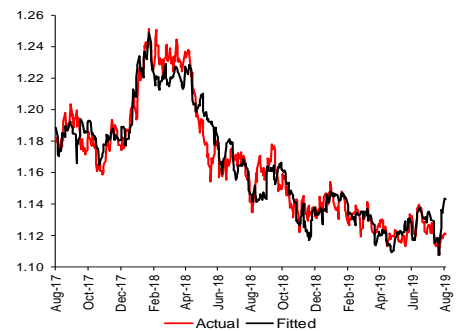
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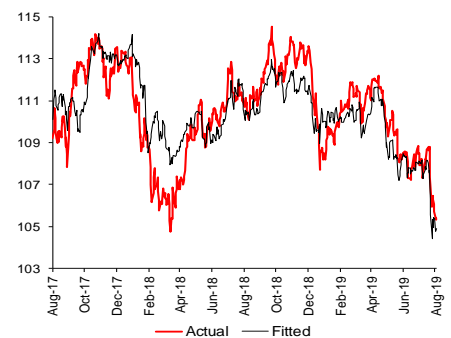
### EUR-USD

**Consolidate but supported.** Despite mild Italian political uncertainty humming in the background, slight USD vulnerability may continue to manifest via a supported EUR-USD in the near term with 1.1200 continuing to serve as a near term anchor. Short term implied valuations meanwhile have ratcheted higher since the onset of the month, putting the 100-day MA (1.1224) and the 55-day MA (1.1233) at risk of a breach towards 1.1260.



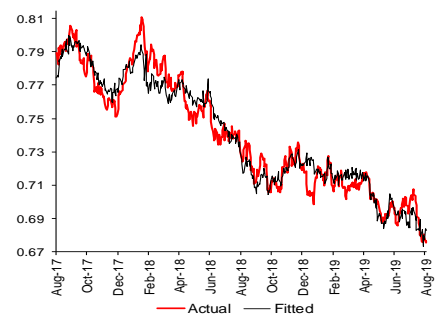
### USD-JPY

**Southbound.** In the current environment, USD-JPY may continue to be explicitly pressured lower. The pair may continue to eye the 105.00 floor with the next junction expected at 104.50. The pair has caught up with its short term implied valuations (on the downside) but the latter remains tilted south.



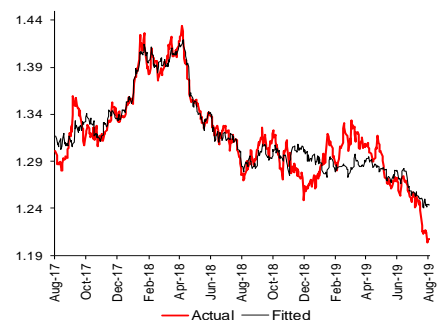
### AUD-USD

**Bearish territory.** The RBA's Debelle is scheduled to speak twice on Wednesday and investors will be watching the RBA's spoken demeanor this week. Note that the RBA's Kent has also acknowledged that lower Aussie yields have undermined the currency. Sub-0.6750, the AUD-USD may ladder itself lower to 0.6700 amid still suppressed short term implied valuations. As noted previously, the surprise and larger than expected cut by the RBNZ has not placed the weight of expectations on the RBA.



### GBP-USD

**Heavy range.** Talk of the UK potentially seeking a Brexit extension may grant the GBP some relief but it remains to be seen if the EU will even entertain such a possibility. With little else in terms of positives on the horizon, expect the pair to continue to hold top heavy within 1.2020-1.2100 pending further headline risks and despite over extending on the downside relative to short term implied valuations.

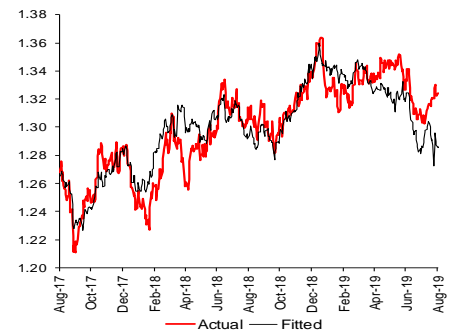


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### USD-CAD

**Consolidate but firm.** In the midst of the ongoing fragility in global markets, USD-CAD may bounce on dips towards the 55-day MA (1.3212) and 1.3200. Risks may also remain biased towards 1.3275 if 1.3250 is breached and despite suppressed short term implied valuations for the pair.



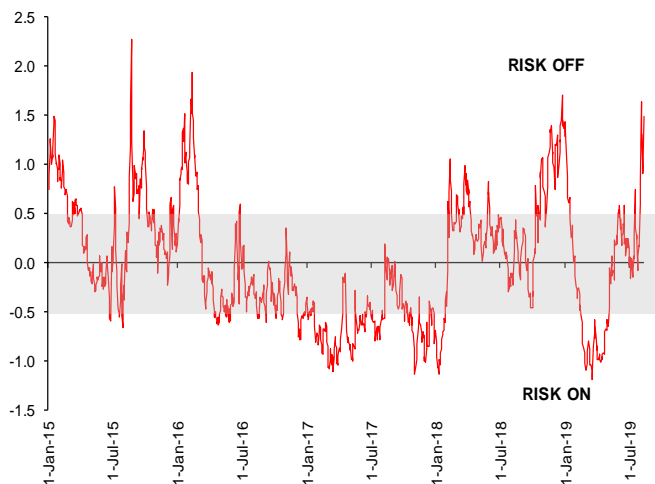
### Asian Markets

- USD-Asia: USD resilience.** EM FX crunched lower overnight as the market's focus was centered on EM with the unrest in Hong Kong and political uncertainty in Argentina afflicting the ARS (crashing out in fact) with the ZAR and TRY also falling against the USD. USD-CNH is holding steady around the 7.1000 neighborhood with the renminbi complex still expected to set the pace for Asia. **Overall, expect the USD to continue to hold the upper hand in Asia at this juncture.**
- Net portfolio outflows.** On the net portfolio flow front, **EPFR flows** indicate significantly deeper net implied outflows from Asia (excl Japan, China) in the latest week while net implied bond inflows also dropped precipitously to almost neutral in the same period. Higher frequency data on actual net portfolio flows in the region meanwhile also indicate a net outflow situation for Taiwan (equities), India (bonds and equities), Indonesia (bonds and equities), Thailand (bonds and equities), and Malaysia (equities).
- USD-SGD: Upside risks.** This morning, the MAS stated that an off-cycle monetary policy meeting was not being considered. 2Q GDP numbers released this morning saw a -3.3% qoq saar contraction (flash estimate -3.4%) with the 2019 GDP forecast shaved to 0.0-1.0% from 1.5-2.5% previously. The SGD NEER is currently at +0.33% above perceived parity (1.3917) and in the current environment, further decay into sub-parity territory remains on the cards. For today, 1.3900 on the upside is may attract if the USD continues to flex higher within EM/Asia.

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### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.1074	1.1100	1.1194	1.1200	1.1238
<b>GBP-USD</b>	1.2000	1.2015	1.2066	1.2100	1.2477
<b>AUD-USD</b>	0.6677	0.6700	0.6761	0.6800	0.6930
<b>NZD-USD</b>	0.6378	0.6400	0.6450	0.6500	0.6617
<b>USD-CAD</b>	1.3186	1.3200	1.3242	1.3300	1.3308
<b>USD-JPY</b>	105.00	105.05	105.48	106.00	107.80
<b>USD-SGD</b>	1.3654	1.3800	1.3880	1.3888	1.3900
<b>EUR-SGD</b>	1.5395	1.5500	1.5537	1.5562	1.5587
<b>JPY-SGD</b>	1.2667	1.3100	1.3159	1.3200	1.3205
<b>GBP-SGD</b>	1.6598	1.6700	1.6746	1.6800	1.7035
<b>AUD-SGD</b>	0.9275	0.9300	0.9384	0.9400	0.9461
<b>Gold</b>	1406.69	1500.00	1510.40	1514.90	1518.08
<b>Silver</b>	17.20	17.25	17.29	17.30	17.35
<b>Crude</b>	51.97	54.80	54.81	54.90	55.85

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