

Daily Market Outlook

13 September 2019

Market Themes/Strategy

- **Mixed outcome from the ECB.** The markets veered off in different directions on Thursday with the EUR ending higher against the USD and outperforming across G10 post-ECB. The ECB delivered an as expected 10bps cut to its benchmark rate to -0.50%, restarted QE (**note cited internal dissent within the ECB**) at EUR20bn a month for as long as necessary, lowered interest rates on TLTROs, and introduced a tiered deposit rate system. **Ultimately, higher bund yields and pared expectations of a further ECB rate cut this year lifted the common currency.**
- Meanwhile, the cyclicals (AUD, NZD, CAD) tracked lower despite a White House official denying a report that the US was considering an interim deal with China. Firmer UST yields also continued to buoy the USD-JPY, leaving the pair above 108.00 by late NY.
- With risk appetite still on the mend and amid positive global equities, the **FX Sentiment Index (FXSI)** dipped into Risk-Neutral territory. This should continue to be supportive of risk taking behavior across asset markets.
- **Back to the Sino-US front.** Going ahead, expect Sino-US headlines to resume taking center stage again with the ECB meeting now a postscript. On the former, the latest buzz is centering on some form of interim deal to delay or roll back tariffs. Working level officials are also reportedly due to meet next week for talks. **To this end, risk for the USD-CNH remains skewed to the downside at this juncture.**
- **EUR-CNH vulnerability.** In G10 space, expect the EUR-USD to be neutral in the near term as markets attempt to digest the ECB's latest package of measures. An offshoot from developments in the last few sessions (ECB meeting, friendlier Sino-US headlines) may suggest further downside for EUR-CNH in the near term.
- Meanwhile, look for USD-JPY to continue its ascent as US yields recover while the likes of the AUD may derive implicit support on the back of expectations of 'friendly' Sino-US trade headlines in the coming weeks.

Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

ngcyemmanuel@ocbc.com

Terence Wu

+65 6530 4367

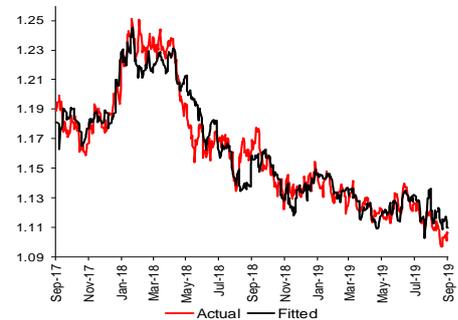
TerenceWu@ocbc.com

Daily Market Outlook

13 September 2019

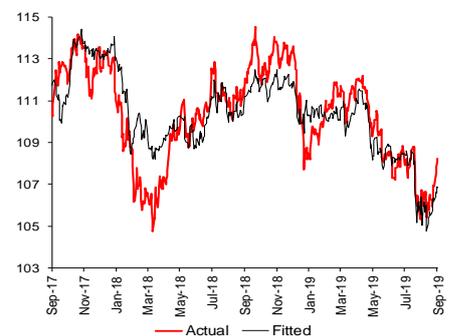
EUR-USD

Neutral for now. With the ECB not inciting surprises on either side, we expected no strong directional cues for the EUR-USD for now. While spot is higher overnight, note that the short term implied valuations continued to dip. Overall, we take neutral view on the EUR in the immediate horizon, pending the FOMC next week. Expect 1.1100 to cap in the interim, with downside support at 1.1020.



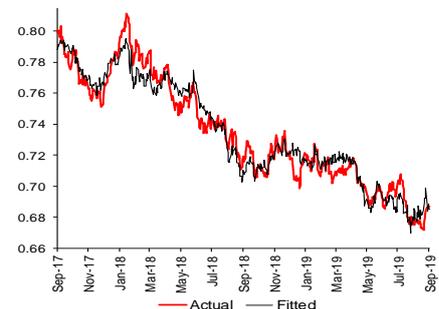
USD-JPY

Biased higher for now. The sustained alleviation of Sino-US trade tensions has continued to support the USD-JPY. Short term implied valuations catching up also suggest that there ascent may be sustainable in the near term. We look for further extension towards 108.50, with dips likely limited to 107.70/80.



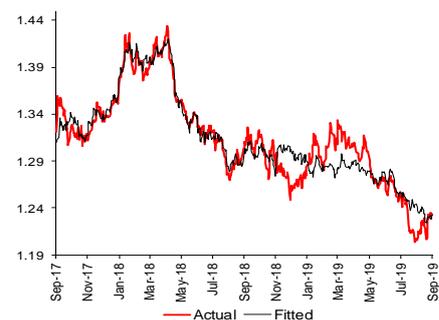
AUD-USD

Eying higher levels. The AUD-USD should stay supported within the risk-positive environment for now, although we may need further concrete developments to push the pair beyond the 0.6900 handle. Short term implied valuations dipping lower also add another layer of caution. Expect the pair to stay buoyant within the 0.6850 to 0.6900 corridor for now.



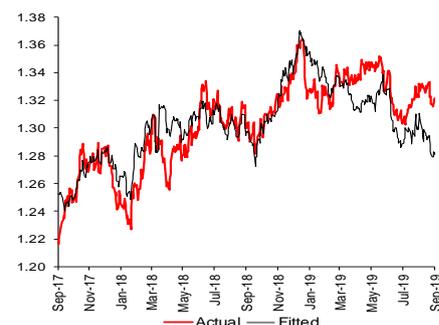
GBP-USD

Toppish? Upside momentum for the GBP-USD may be scarce for now. Look instead for consolidative action until the run-up to the 17/18 October EU Council, when there should be more concrete updates on the Brexit state of play. Expect the pair to be bookended by the 55-day MA (1.2304) and 1.2400 for now.



USD-CAD

Softer bias. The USD-CAD was largely steady around the 1.3200 handle, although we think the downtrend is not negated just yet. Pending the crude complex, expect the pair to thread ground within the 1.3150-1.3250 range for now.



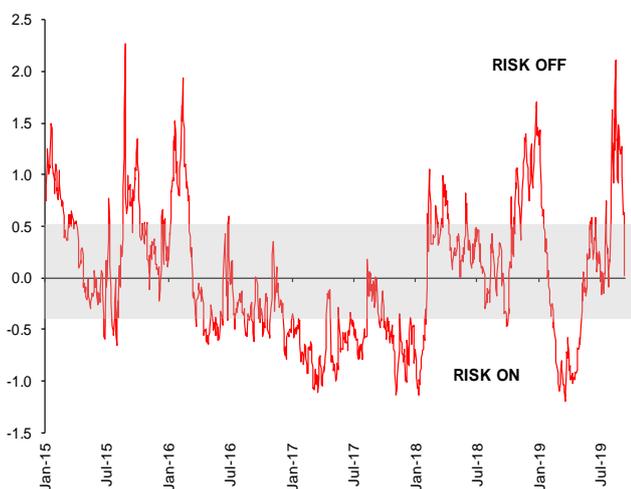
Daily Market Outlook

13 September 2019

Asian Markets

- USD-Asia: Heavy.** A yet lower USD-CNH profile on Thursday should continue to keep USD-Asia suppressed as investors hold out for positive headlines from the Sino-US front. The CFETS RMB Index also looked to find a bottom at 91.00 for now.
- At this juncture, the lower plane on which the USD-Asia resides now may have better shelf-life going forward. The alleviation of trade tensions appears sustainable into the scheduled October meetings, with conciliatory actions taken by both sides. Note also the nascent recovery of portfolio flows into the region, possibly providing some background support for Asian currencies.
- USD-SGD: Heavier posture.** The USD-SGD continued to track USD-CNH lower, reaching levels around the 55-day MA (1.3747). Expect the pair to retain a heavy posture, with the 100-day MA (1.3711) the next waypoint down south. Any bounces should be capped at 1.3800 for now. The SGD NEER sustained above the +1.00% mark, standing at +1.04% above its perceived parity (1.3890) this morning, with NEER-implied USD-SGD thresholds dipping lower. Despite domestic weakness and MAS easing expectations, the SGD NEER may be driven more by external drivers for now.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0965	1.1000	1.1065	1.1100	1.1130
GBP-USD	1.2276	1.2300	1.2333	1.2385	1.2400
AUD-USD	0.6800	0.6853	0.6867	0.6893	0.6895
NZD-USD	0.6304	0.6400	0.6404	0.6457	0.6500
USD-CAD	1.3200	1.3203	1.3218	1.3300	1.3310
USD-JPY	107.80	108.00	108.16	108.26	109.00
USD-SGD	1.3700	1.3726	1.3748	1.3753	1.3765
EUR-SGD	1.5150	1.5200	1.5213	1.5300	1.5320
JPY-SGD	1.2700	1.2701	1.2711	1.2717	1.2800
GBP-SGD	1.6896	1.6900	1.6956	1.7000	1.7092
AUD-SGD	0.9400	0.9433	0.9441	0.9487	0.9489
Gold	1471.90	1480.02	1498.80	1500.00	1552.94
Silver	16.88	18.00	18.01	18.10	19.22
Crude	53.50	54.90	54.93	55.00	56.08

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LingSSSelena@ocbc.com

Emmanuel Ng

Senior FX Strategist

NqCYEmmanuel@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Alan Lau

Malaysia & Indonesia

AlanLau@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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).