

## Daily Market Outlook

14 August 2019

### Market Themes/Strategy/Trading Ideas

- **Respite.** Risk appetite staged a turnaround after Trump delayed the imposition of some (about half of the original list at around USD160bn) tariffs on Chinese imports to 15 Dec 19 from 01 Sep 19 previously. Note that the balance of the items will still have additional tariffs imposed on the original 01 Sep 19 deadline. The USTR office is also reportedly working on a further exclusion list. Notably, there were no updates on whether there will be a face-to-face meeting in September.
- Meanwhile, after a joint phone call on Tuesday between Chinese Vice Premier Liu He and USTR Lighthizer and US Treasury Secretary Mnuchin, Chinese and US officials are also scheduled to speak again over the phone in two weeks.
- **USD-CNH** slumped to test briefly below 7.0000 with the AUD-USD also bouncing higher. Haven currencies like the JPY and CHF also underperformed across the board. USD-JPY surged above 106.00 and 106.50 with the EUR-USD and GBP also mildly softer. Overall, this left the **DX** higher after two consecutive sessions of losses.
- Elsewhere, the blip higher in investor appetite saw positive EZ/US/EM equities, firmer crude, and softer gold. Meanwhile, UST yields firmed (bear flattened) with slightly warmer than expected US July CPI readings also underpinning yields. On other fronts, the **FX Sentiment Index (FXSI)** eased slightly as a result but we note that the Index remains very much in **Risk-Off territory**.
- **Fade the risk rally?** Cross asset price action across global markets overnight we think has not reversed (let alone neutralize) inherent negativity and uncertainty (i.e., bull flattening or implicit pessimism towards the cyclical FX) surrounding Sino-US trade relations. **Investors may thus be reduced to a trading market pending further headline risks.**

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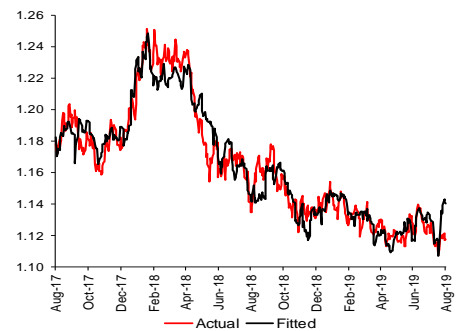
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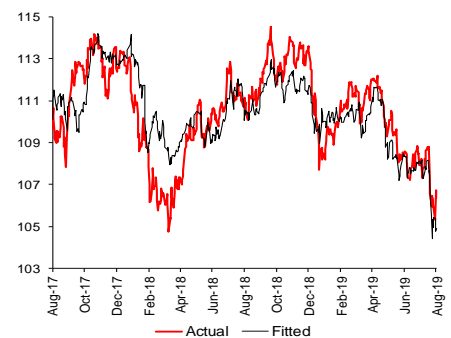
### EUR-USD

**Neutral for now.** Despite a weak German Aug ZEW, the EUR-USD managed to ease slightly on the back of the news of the US tariff delay. 2Q German/EZ GDP numbers are due today and the pair may remain slightly consolidative (if a bit top heavy) today. Expect an initial floor towards 1.1160 with resistance at 1.1230.



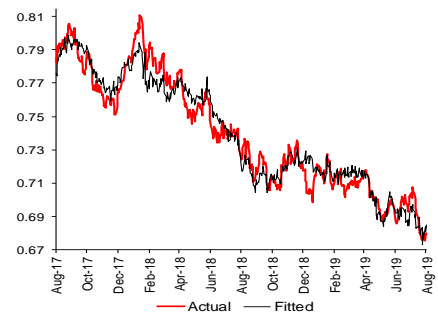
### USD-JPY

**Interim floor.** USD-JPY may find some respite as haven currencies lost some support in the near term. However, we note still heavy short term implied valuations for the pair and 107.30 may cap while 106.00 may cushion.



### AUD-USD

**Bearish territory.** The RBA's Debelle is scheduled to speak twice on Wednesday (0730 GMT and 2300 GMT) and any ensuing comments will be closely parsed for clues. China's data dump this morning proved disappointing and should discourage excessive upside ticks. Short term implied valuations are looking mildly supported at this juncture but 0.6860 may cap, with initial support seen at 0.6740.



### GBP-USD

**Heavy range.** Better than expected June UK labor market numbers also aided the GBP-USD lower on Tuesday while investors may also look to the July CPI readings today (0830 GMT). Expect the pair to remain trapped within 1.2000-1.2100 while markets mull prospects of a Brexit delay and/or an election. Short term implied valuations for the pair meanwhile remain laden.

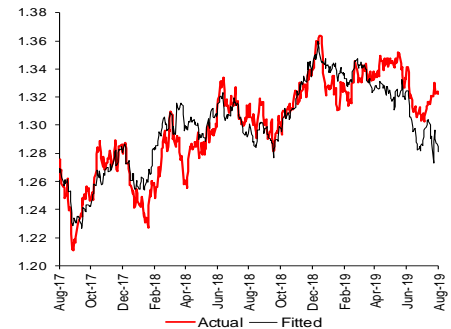


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### USD-CAD

**Consolidate but firm.** The 55-day MA (1.3207) and 1.3200 may continue to prove supportive despite the latest uptick in crude prices. Meanwhile, short term implied valuations for the USD-CAD remain subdued to heavy, still leaving the spot at a tangent to implied valuations.



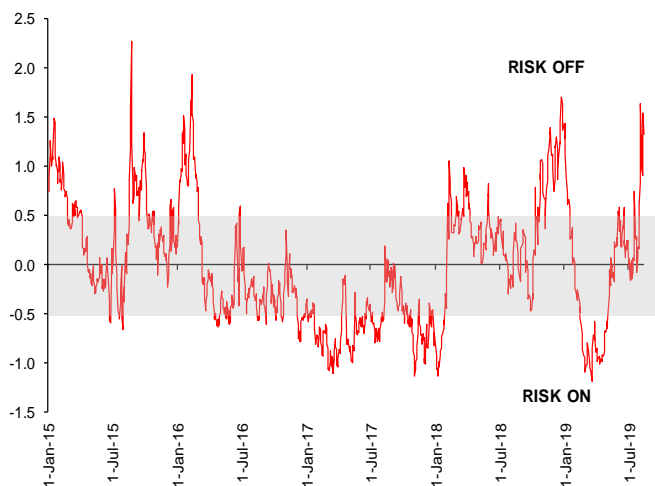
### Asian Markets

- **USD-Asia:** A better looking EM landscape from overnight and the lower than expected USD-CNY mid-point fix may serve to impart some stabilization in Asian markets today but the disappointing China data feed this morning may keep investors cautious.
- **Asian central banks to remain accommodative.** On the macro front, the continued softening in India's July CPI numbers on Tuesday only underscores the RBI's larger than expected rate cuts last week. On a broader scale, the policy bias across the region (note sustained expectations for further easing from the PBOC, with the 10y CGB yield having effectively dipped to the 3.00% handle) may continue to remain biased towards further accommodation despite the slightly better looking Sino-US headlines overnight. To this end, the BSP governor on Tuesday also indicated that further reductions in banks' reserve requirement ratios remain "live" proposition.
- **USD-SGD: Upside risks.** USD-SGD may continue to subsist above the 1.3800 handle pending further risk appetite gyrations. The SGD NEER this morning is slightly firmer at +0.49% above parity (1.3919). Risk rewards may continue to favor a drip in the NEER towards parity, with NEER-implied USD-SGD thresholds largely unchanged from yesterday.

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### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1074	1.1100	1.1176	1.1200	1.1237
GBP-USD	1.2000	1.2015	1.2059	1.2100	1.2465
AUD-USD	0.6677	0.6700	0.6790	0.6800	0.6927
NZD-USD	0.6378	0.6400	0.6460	0.6500	0.6614
USD-CAD	1.3182	1.3200	1.3224	1.3300	1.3308
USD-JPY	105.05	106.00	106.30	107.00	107.78
USD-SGD	1.3657	1.3800	1.3849	1.3895	1.3900
EUR-SGD	1.5394	1.5400	1.5478	1.5500	1.5587
JPY-SGD	1.2672	1.3000	1.3028	1.3100	1.3215
GBP-SGD	1.6058	1.6379	1.6700	1.7021	1.7097
AUD-SGD	0.9274	0.9400	0.9403	0.9459	0.9500
Gold	1406.53	1500.00	1502.20	1516.29	1531.40
Silver	15.89	16.90	16.92	17.00	17.20
Crude	55.96	56.40	56.42	56.50	56.51

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