

## Daily Market Outlook

14 October 2019

### Market Themes/Strategy – The week ahead

- The JPY led declines in the haven currencies, while cyclicals outperformed, as risk sentiments continued to improve on the back of positives at the conclusion of the Sino-US trade talks. The GBP continued to dislocate higher as UK and EU looks to intensify Brexit talks this week.
- Firmer UST yields and higher global equities also fed into an overall risk positive environment, with the **FXSI (FX Sentiment Index)** dipped back into the **Risk-Neutral** zone.
- **Sino-US trade: How long did we take to get through Phase 1?** The markets drew positives from the postponement of the tariffs slated for 15 October, and the scheduled next round of talks in China (early Nov). Note that there is still no official signing off of any agreement. Structural differences and tariffs slated for 15 December still persist. **If only built on Sino-US developments, it remains to be seen how sustainable this improvement in risk sentiments will be.**
- The resumption of Fed asset purchases (US\$60b/month up to at least 2Q20), and the extension of overnight repo operations until Jan may potentially provide a more sustainable positive risk outlook, especially if it translates to another strong run on the equity front.
- On the **calendar**, the heavy China data flow and IMF-World Bank meetings (Tue) will give the market ample opportunities to be reminded of the soft global macro prognosis. A long list of scheduled Fed speakers as well, with Clarida (Fri) having the last word before the blackout period ahead of Oct FOMC. Event risk in Europe/UK too, with the EU Summit starting 17 Oct key for Brexit developments. Note a positive tone in the UK, but EU still suggests that the plan is not good enough to form an agreement.
- **Overall, expect the USD to remain on the back seat at the start this week, as the overall negativity has been lifted somewhat. Question is how long this feel-good period will be. Till then, we stay on the side of risk-on trades, preferring to be long of the JPY-crosses.**

#### Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

Terence Wu

+65 6530 4367

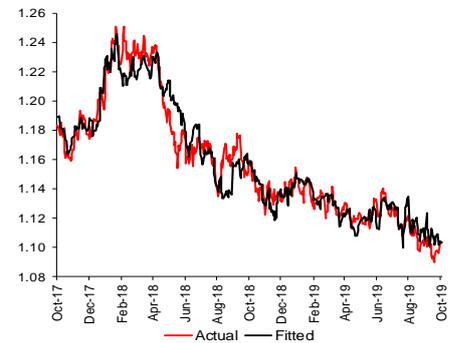
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## Daily Market Outlook

14 October 2019

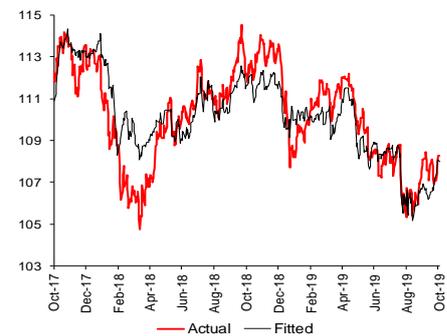
### EUR-USD

**Buoyant for now.** Retain an upside bias for the EUR-USD this week, as the USD continues to be cut down on risk appetite improvements. 1.1060 may however, be a firmer resistance for now, while the 1.1000 remains the key support level. Apart from the EU Summit this week, watch for European industrial production and CPI prints, and German ZEW survey.



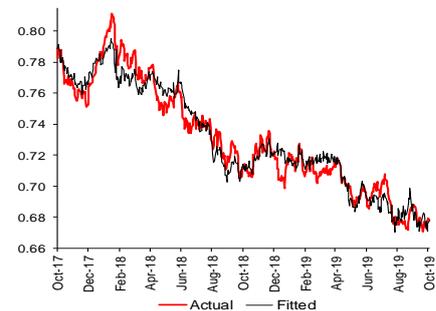
### USD-JPY

**Supported in near term.** With near term negativity possibly arrested for now, expect the risk-on sentiments and supportive short-term implied valuations to support the USD-JPY going forward. If 108.50 can be cleanly taken out, we may expect to see further extension towards 109.00/30 levels. Expect support at 108.00 in the interim.



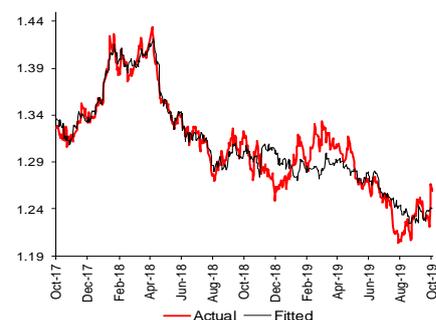
### AUD-USD

**Still heavy.** Despite the Sino-US positivity, the AUD-USD remains kept around the 0.6780/00 resistance, while short term implied valuations remain unsupportive of a swing higher. This may discourage AUD bulls for now, as we continue to favour downside for the pair until that level is taken out.



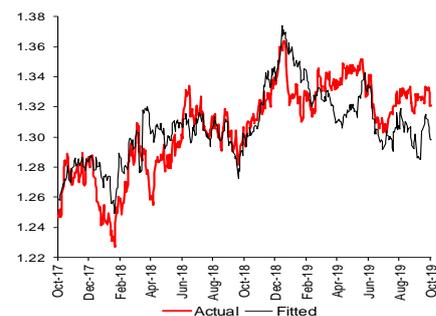
### GBP-USD

**Headline-driven.** The GBP-USD extended further on Friday, as markets focused on Brexit optimism. Nonetheless, expect a volatile week ahead as Brexit talks heat up in the run-up to the EU Summit, with the GBP-USD expected to react to every shift in Brexit sentiment.



### USD-CAD

**Range.** Apart from the risk positive tone, the USD-CAD dislocated lower on a strong employment print. This may perhaps keep spillover risks from the US slowdown at bay for now. Expect 1.3200 to support in the near term, before recent range lows at 1.3130/50.



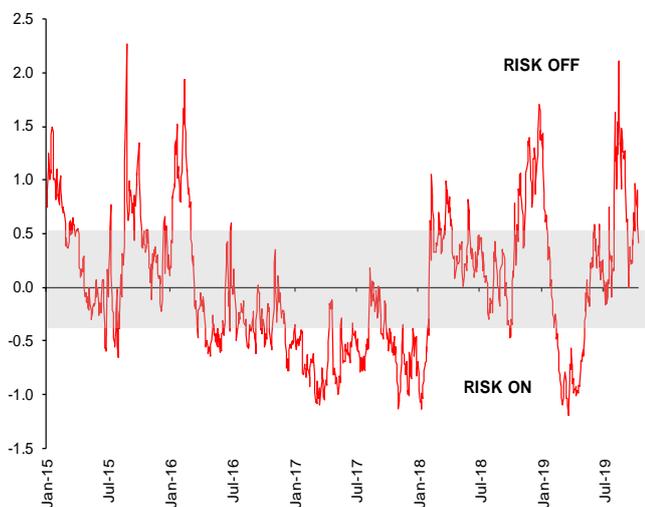
## Daily Market Outlook

14 October 2019

### Asian Markets

- USD-Asia:** The USD-CNH remained heavy last week, finding a base near the 7.0800 level. A lower USD-CNH and risk-on sentiments should continue to support Asian currencies at the start of this week. Thus, we expect USD-Asia to be pulled lower today.
- USD-SGD: Slight reduction of slope.** In line with our expectations, the MAS reduced “slightly” the rate of appreciation of the SGD NEER this morning. With the move, we estimate the current rate of appreciation to be +0.50% pa, compared to +1.0% pa previously. In comparison, the October statement exhibited a more dovish growth/inflation narrative compared to the April statement. **Overall, even though domestic economic imperatives calls for a lower SGD NEER, we think this may be more than offset by global environment, where the DXY and RMB dynamics impart an implicit uplift to the SGD NEER.** For more details, please see the upcoming October MAS Post-view later today.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0894	1.1000	1.1028	1.1045	1.1075
GBP-USD	1.2281	1.2500	1.2595	1.2600	1.2636
AUD-USD	0.6700	0.6779	0.6782	0.6800	0.6841
NZD-USD	0.6244	0.6300	0.6310	0.6353	0.6361
USD-CAD	1.3192	1.3200	1.3209	1.3267	1.3287
USD-JPY	107.00	108.00	108.28	108.61	108.63
USD-SGD	1.3654	1.3679	1.3698	1.3700	1.3710
EUR-SGD	1.5067	1.5100	1.5106	1.5200	1.5220
JPY-SGD	1.2624	1.2643	1.2651	1.2700	1.2918
GBP-SGD	1.6973	1.7200	1.7252	1.7300	1.7341
AUD-SGD	0.9249	0.9251	0.9291	0.9300	0.9368
Gold	1458.30	1471.67	1481.60	1500.00	1506.49
Silver	17.06	17.50	17.59	17.60	17.66
Crude	52.00	54.00	54.40	55.37	56.79

---

## Treasury Research & Strategy

---

### Macro Research

**Selena Ling**

Head of Strategy & Research

[LinaSSSelena@ocbc.com](mailto:LinaSSSelena@ocbc.com)

**Emmanuel Ng**

Senior FX Strategist

[NqCYEmmanuel@ocbc.com](mailto:NqCYEmmanuel@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Terence Wu**

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau

[dicksnyu@ocbc.local](mailto:dicksnyu@ocbc.local)

### Credit Research

**Andrew Wong**

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto: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).