

Daily Market Outlook

15 November 2019

Market Themes/Strategy

- Cyclical currencies underperformed on the back of a series of key data misses in Asia (China Oct IP and retail sales, Japan 3Q GDP). The AUD took a large hit after an unexpected employment data miss. The broad USD also traded heavy against the European complex and other haven currencies, on the back of some mixed US data prints and softer UST yields.
- Despite some positive sound-bites from Kudlow and the lifting of the US poultry ban by China, the overall risk sentiment remained slightly shaky. The UST curve and other core curves continue to edge lower with a flattening bias, and US/EZ/EM equities also closed flat to lower. The **FXSI (FX Sentiment Index)** moved higher into the **Risk-Neutral** zone.
- Notwithstanding the very fluid nature of the Sino-US trade talks, developments over the past week have definitely shaken the confidence on the Phase 1 deal somewhat. **While we would not extrapolate the risk-off sentiment too far into the future for now, it may be worth thinking about at what point will a pause and reassessment of the Sino-US optimism be triggered.** With the Hong Kong situation getting worse, will it have an impact to trade talks, either indirectly by shifting the attention of the Chinese side, or directly if the US Congress shows further support for the protesters?
- On the calendar, watch Eurozone CPI (1000 GMT), and US retail sales (1330 GMT) and industrial production (1415 GMT).
- We note some positive headlines from Kudlow early in the Asian session, but it may not be a game-changer. Thus, we think any reversal in the risk-off trades may not see a good shelf-life. Overall, the likes of USD-JPY, and JPY-crosses, and AUD-USD may still exhibit some implicit heaviness. Elsewhere, with the EUR-USD failing to breach the 1.1000 mark, we stay away from our negative EUR view for now.

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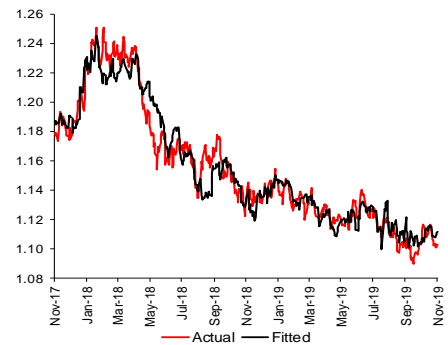
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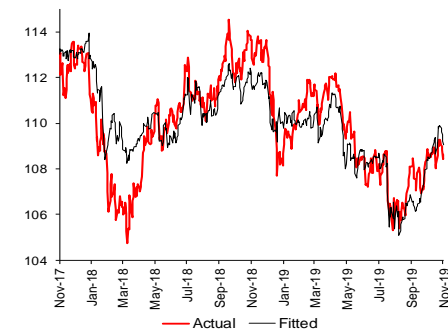
EUR-USD

Flexing against key level. With the EUR-USD failing to breach the key 1.0990/00 support, our negative view on the pair may have to take a pause for now. Instead, there may be room for a tactical long on this pair targeting 1.1040/50. Expect 1.1000 to cushion any dips for now.



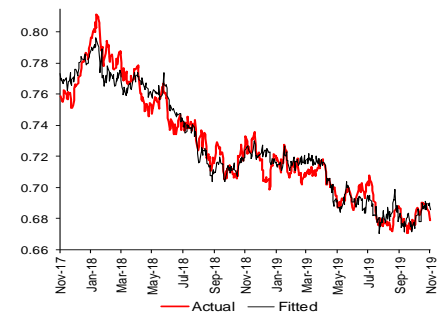
USD-JPY

Headline-driven. Downside momentum was strong for the USD-JPY after the breach of the 109.00 handle, also a positive headline halted decline at 108.20. In the interim, expect the 55-day MA (108.05) and 200-day MA (109.01) to corridor the pair until further clarity on the Sino-US front.



AUD-USD

Weighed down. Soft China data releases gave the AUD-USD another leg lower below 0.6800 after the employment data miss. For now, the pair may be headline-driven, within a broader downtrend on the back of disappointing macro outlook. Note that the short term implied valuations has started to turn soft. Expect any bounces to be capped at 0.6820, while any dips should continue to target 0.6760/70.



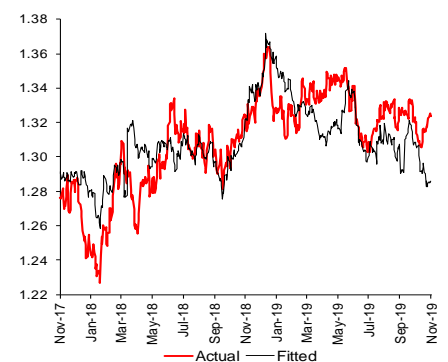
GBP-USD

Consolidation. Expect the GBP-USD to stay implicitly supported, as the consensus on the general election settles onto a Conservative-led majority, and the EUR-GBP continues to show downside inclinations. For now, expect the GBP-USD to be capped at 1.2900, with further upside possible if the EUR-GBP breaches the 0.8500 mark.



USD-CAD

Turning higher. The USD-CAD turned south after approaching the 200-day MA (1.3277) from below. For now, expect the pair to be supported at 1.3200, while the 200-day MA (1.3277) caps on the upside.



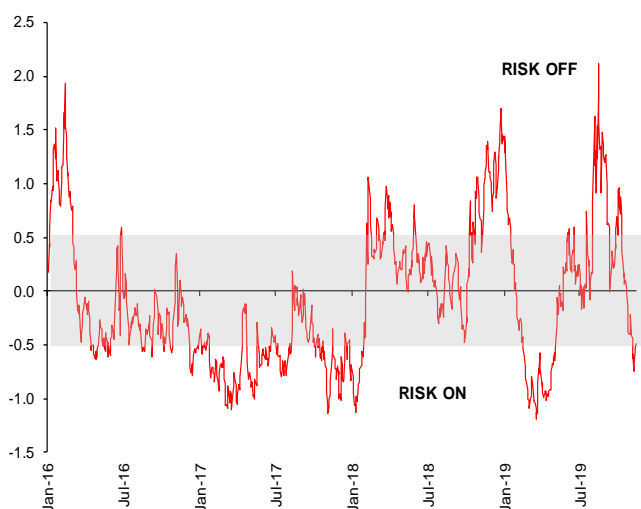
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Asian Markets

- USD-Asia:** The USD-CNH was slightly heavy yesterday, but still stayed above the 7.0000 mark overnight. Softer USD overnight may spill-over into a lower USD-Asia this morning, a move that may be exacerbated by positive headlines from Kudlow early in the Asian session. Nevertheless, any pull-back in the USD-Asia should be limited today, unless positive momentum builds again on the Sino-US front.
- Aside from Sino-US headlines, the poor Chinese data releases reinforced the view that a bottoming and recovery of the China/Asia macro outlook is still somewhat premature. Watch MY 3Q GDP and ID trade numbers later today (0400 GMT). Elsewhere, the **BSP** held rates unchanged as expected.
- On the **Asian portfolio flows** front, equity inflow momentum into Taiwan may have reached top for now, while bond inflow momentum into Indonesia also showing signs of turning south. Inflows into Indian equities continue to accelerate higher, offsetting a slight reduction in bond inflows.
- USD-SGD:** The USD-SGD dipped lower towards 1.3600. Any breach of that level may open up declines to 1.3560/80. Overall, expect a 1.3560 – 1.3640 range for now, pending new developments. The SGD NEER is static at +1.65% above its perceived parity (1.3833), with NEER-implied USD-SGD thresholds easing lower on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0981	1.1000	1.1026	1.1041	1.1100
GBP-USD	1.2786	1.2800	1.2884	1.2900	1.2961
AUD-USD	0.6710	0.6790	0.6795	0.6800	0.6816
NZD-USD	0.6323	0.6346	0.6385	0.6400	0.6438
USD-CAD	1.3200	1.3210	1.3238	1.3277	1.3288
USD-JPY	108.11	108.21	108.56	109.00	109.01
USD-SGD	1.3573	1.3600	1.3608	1.3646	1.3662
EUR-SGD	1.4973	1.5000	1.5004	1.5100	1.5130
JPY-SGD	1.2430	1.2500	1.2536	1.2538	1.2600
GBP-SGD	1.7397	1.7500	1.7533	1.7600	1.7643
AUD-SGD	0.9200	0.9229	0.9246	0.9254	0.9300
Gold	1446.20	1448.50	1468.60	1492.97	1500.00
Silver	16.62	16.90	16.97	17.00	17.64
Crude	55.67	57.00	57.02	57.10	57.32

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