

Daily Market Outlook

15 October 2019

Market Themes/Strategy

- The USD's footing (alongside other haven currencies) stabilized on Monday, with the greenback marking gains against all G10 counterparts (CHF excepted). GBP underperformed as longs initiated last week probably squared after strong gains on Thu-Fri. Expect more volatility ahead of the EU Summit. Eyes will be on PM Johnson to see if he asks for a deadline extension if a deal fails to materialise. Note short term risk reversals moving in favour of stronger GBP, but perhaps protection from swings may be a better idea.
- In yesterday's outlook piece, we questioned how long this post-trade talks feel-good period will be. Quickly enough, we got a slight shake-out yesterday (China wanting more talks before Phase 1 agreement). Although there is not much follow through after the initial knee-jerk reaction in the FX space, global equities drift lower. Overall, **FXSI (FX Sentiment Index)** continued to ease away from the Risk-Off zone. Nevertheless, that episode is a reminder of how fragile the hitherto improvement in sentiment is.
- On the **calendar**, the watch for headlines stemming from IMF-World Bank meetings (Tue) starting today. No US data is scheduled, so the focus may be on the German ZEW survey (0900 GMT). On the central bank front, focus on the Fed's Bullard (0825 GMT), BOE's Carney (0830 GMT) and Vlieghe (1230 GMT), and ECB's (0830 GMT).
- Overall, positive risk sentiments may still persist for now. Amongst the risk-on trades, we prefer to stay long of the **USD-JPY** and **JPY-crosses**. **AUD-USD** upside, however, may stay curtailed as the pair remains capped under the 0.6780/00 zone, and resulting in a range-bound movement for now.

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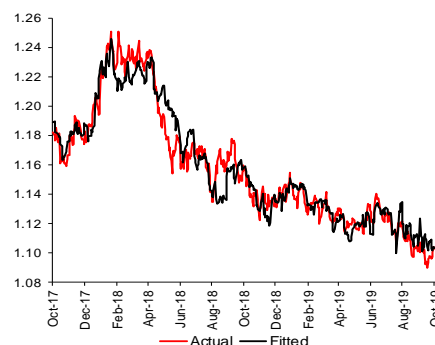
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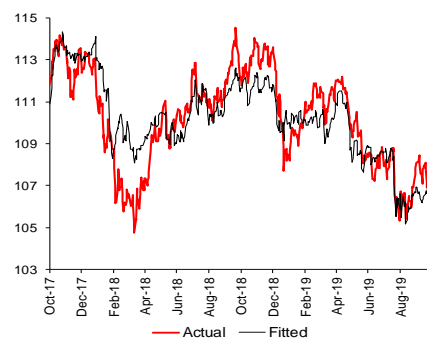
EUR-USD

Consolidation. The EUR-USD retains a slight upside bias, even as it sees some consolidation below the 1.1060 mark. The German ZEW survey (0900 GMT) may be a focus for now, as investors weigh the recent upswing of the pair against its macro fundamentals. In the interim, expect 1.1000 and 1.1060 to bookend the pair.



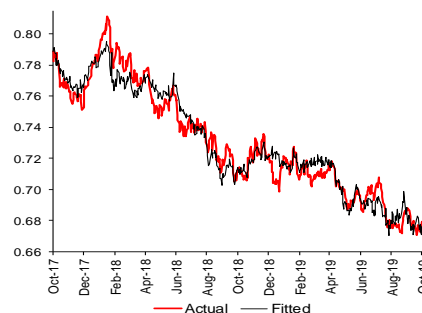
USD-JPY

Supported in near term. The 108.50 mark continues to be immediate hurdle for the USD-JPY, with upside momentum potentially stronger if that level can be breached. The sense that risk-on sentiments are on the ebb cannot be dismissed, but positives should still be able to hold out for now. Continue to expect downside support at 108.00.



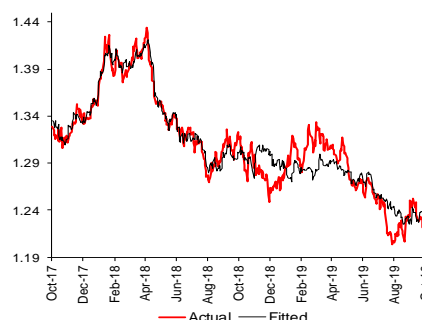
AUD-USD

Heavy. RBA minutes highlighted the usual caveats on the global front, but were largely a non-event in AUD-USD terms. Despite positive risk sentiments, the repeated failure of the pair at the 0.6780/00 resistance may discourage bulls. With short term implied valuations still not supportive of an up-move, we prefer to stay short of this pair.



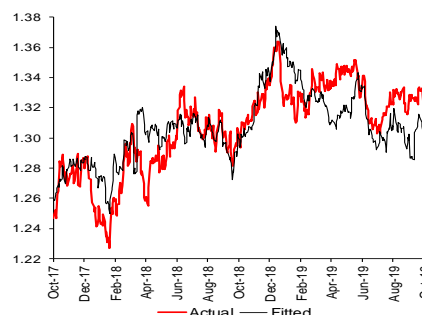
GBP-USD

Headline-driven. Expect GBP-USD movements to track the ebb and flow of Brexit headlines this week. The level to watch on the upside is the 1.2700 mark, which demarcates top end of the downtrend channel.



USD-CAD

Range. The USD-CAD ground higher alongside the broad USD, with Canada out on a bank holiday. Expect 1.3200 to support in the near term, before recent range lows at 1.3130/50.



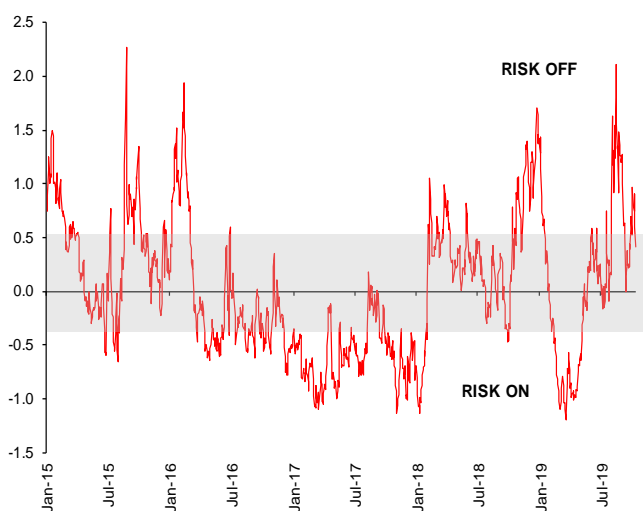
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Asian Markets

- USD-Asia:** The USD-CNH still heavy closed lower despite some retracement, and now stands around 7.0700. This week's deluge of Chinese data will be key for the longevity of the improvement in risk. Signs of stabilization in the Chinese economy will probably impart more positives on the sentiments than any trade deal. Note the mixed stream so far, with CPI/PPI prints in line with expectations, but exports contracting by more than expected. Nevertheless, still expect the RMB complex to still provide some shelter to Asian currencies for now.
- Cast a watchful eye for any spillover effects from the Turkey-Syria issue into the broader EM space. At this juncture, the impact is still localized, with EM Asian risk premiums not elevating higher.
- USD-SGD:** The USD-SGD submerged under the 1.3700 level after the MAS decision on Monday. **In the near term, expect the pair to stay heavy, on the back of a firm RMB complex and the unwinding of short basket trades initiated before the MAS meeting.** Expect some support at 1.3670, while the topside may be capped at 1.3730. On the SGD NEER front, the basket stayed elevated at +1.53% above its perceived parity (1.3895). Despite the reduction in slope, we expect the SGD NEER to stay relatively supported into the year-end. For more details, please see [FX Viewpoint – October MAS MPS Post-view](#).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0899	1.1000	1.1026	1.1042	1.1065
GBP-USD	1.2290	1.2600	1.2607	1.2658	1.2700
AUD-USD	0.6698	0.6700	0.6777	0.6779	0.6800
NZD-USD	0.6249	0.6300	0.6306	0.6342	0.6356
USD-CAD	1.3195	1.3200	1.3231	1.3267	1.3287
USD-JPY	107.04	108.00	108.33	108.63	108.66
USD-SGD	1.3654	1.3679	1.3689	1.3698	1.3700
EUR-SGD	1.5044	1.5064	1.5093	1.5100	1.5210
JPY-SGD	1.2620	1.2625	1.2636	1.2700	1.2911
GBP-SGD	1.6982	1.7200	1.7258	1.7300	1.7355
AUD-SGD	0.9242	0.9257	0.9277	0.9300	0.9367
Gold	1458.30	1473.19	1491.70	1500.00	1506.69
Silver	17.69	17.70	17.73	17.80	18.41
Crude	50.99	53.30	53.38	53.40	55.33

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