

Daily Market Outlook

16 August 2019

Market Themes/Strategy/Trading Ideas

- **Bond bulls still flexing.** Slightly better investor sentiment saw the JPY and CHF retreating against the USD and on the crosses while antipodeans (AUD underpinned by better than expected July labor market numbers) outperformed.
- Despite yet lower UST yields (30y long bond probed below 1.95% and the 10y yield also printed briefly below 1.50%), the USD also found partial support following better than expected July retail sales and Philly Fed numbers, taking the **DXY** clean above 98.00.
- The EUR-USD took a hit and eased temporarily below 1.1100 after the **ECB's Rehn** stated that "It's important that we come up with a significant and impactful policy package in September". On the flip side, the **Fed's Bullard** however noted that the curve inversions would have to be "sustained over a period of time" to imply a "bearish" signal for the US economy. Nonetheless, note that the UST curve bull steepened on Thursday.
- On other fronts, GBP-USD found a bid on better than expected July retail sales figures but the NOK was undermined after the **Norges Bank** seemed increasingly cautious after holding rate unchanged.
- **Markets to remain primed for negative headlines.** Elsewhere, talk of **countermeasures** out of **China** also kept investors on edge with the **FX Sentiment Index (FXSI)** wading deeper into **Risk-Off** territory. Despite steadier US equities, note that gold continued to climb on Thursday and WTI crude also traded briefly below 54.00, and global bonds continued to rally (bund curve bull flattened further). Note that short-end FX vols (G7 as well as in EM) have woken up and expect markets to remain appropriately nervous, keeping an eye out for further deterioration in risk appetite.

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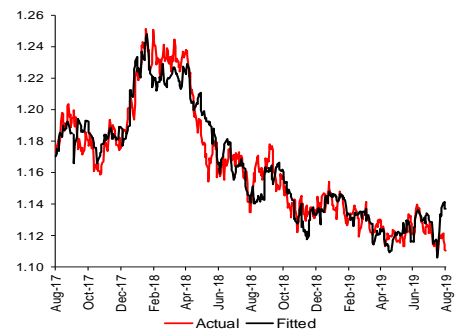
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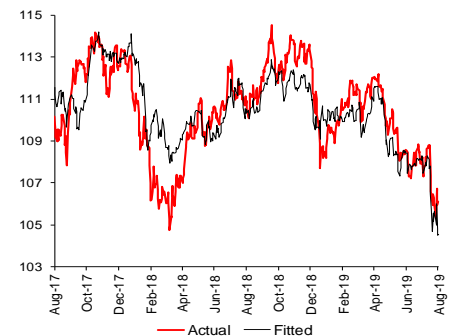
EUR-USD

Heavy. Short term implied valuations for the EUR-USD have been taken a notch lower following comments from the ECB's Rehn. Expect investors to steer the pair towards 1.1050/60 into the end of the week with 1.1100 looking porous at the time of writing.



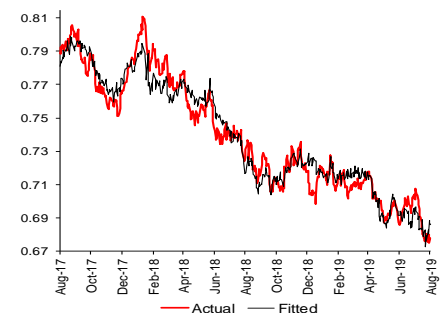
USD-JPY

Pit stop. Despite yet lower short term implied valuations for the pair, USD-JPY may pause for breath after the 2-way volatility for the past few sessions. Multi-session, a softer 105.00-107.00 range may have been established and risks may remain skewed towards further downside.



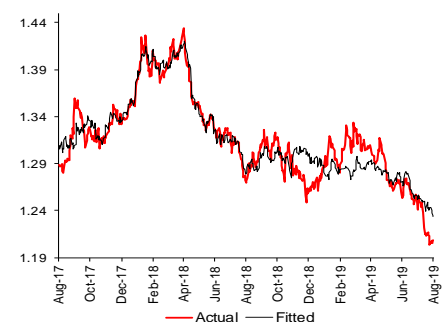
AUD-USD

Bearish territory. The short-end riskier curve is attempting to impute near term stabilization for the pair, cordoning off the AUD-USD within 0.6750-0.6800 in the interim. Sino-US trade tensions however remain an imminent risk and the risk-rewards may continue to favor eventual decay towards 0.6700.



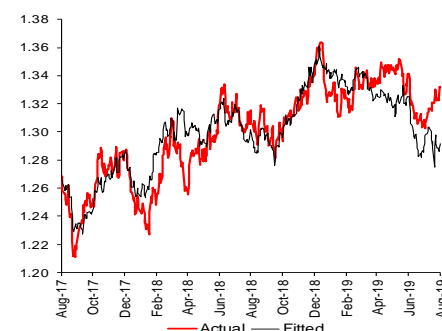
GBP-USD

Heavy range. Although the gilt curve remains inverted, moves by the opposition to stymie PM Johnson may temper excessive GBP pessimism at this juncture. Pending further headline risks, prefer to fade rallies to 1.2170 for 1.2000 with short term implied valuations edging lower.



USD-CAD

Consolidate but firm. Continue to bounce dips in the USD-CAD with the market-implied global macro prognosis still in a shambles at this juncture. The 200-day MA (1.3310) may continue to support with 1.3340/50 an immediate objective.



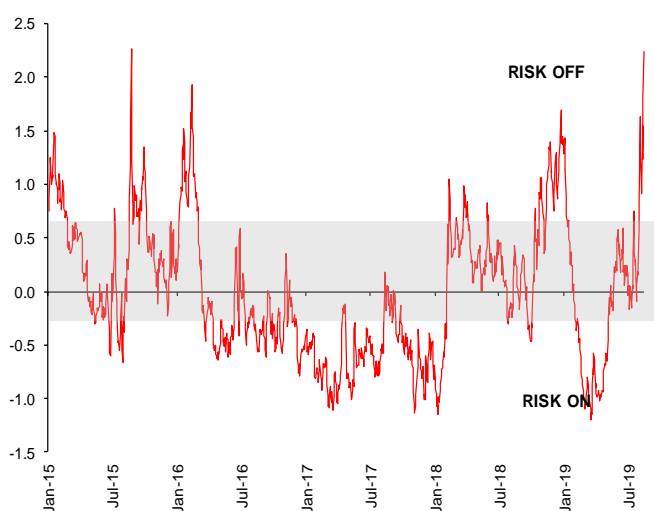
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Asian Markets

- USD-Asia:** Normal service may have returned on the RMB front, with the USD-CNY morning fix back in line with model-driven estimates, and CFETS RMB Index above the 92.00 handle again. Meanwhile, the USD-CNH fluctuated on either side of 7.0500 overnight. Look towards the RMB complex to potentially impart some stability to the Asian currencies for now (till the next outburst on the trade front). Nevertheless, the implicit lift in USD-Asia may still prevail for now, with the likes of **INR, IDR and PHP** likely to underperform.
- Note the ongoing deterioration of in the **actual portfolio flows environment** across Asia. With the exception of South Korea, all tracked countries see a further deepening of overall outflow momentum. South Korea bucked the trend, with inflows on the bond front outweighing equity outflows.
- USD-SGD: Upside risks.** July NODX contracted less than expected on a yoy basis, but that should not provide any positive lead for the SGD. Expect the USD-SGD to continue flexing against the 1.3900 handle in the interim. If this level is taken out, the next focus will be the implied parity level of SGD NEER, which is currently estimated at 1.3930. Meanwhile, the SGD NEER this morning is essentially static at +0.30% above parity (1.3930), with NEER-implied USD-SGD thresholds slightly firmer on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1027	1.1068	1.1099	1.1100	1.1228
GBP-USD	1.2000	1.2015	1.2087	1.2100	1.2439
AUD-USD	0.6677	0.6700	0.6781	0.6800	0.6918
NZD-USD	0.6378	0.6400	0.6432	0.6500	0.6605
USD-CAD	1.3300	1.3310	1.3319	1.3340	1.3345
USD-JPY	105.05	106.00	106.16	107.00	107.69
USD-SGD	1.3668	1.3800	1.3885	1.3900	1.3906
EUR-SGD	1.5392	1.5400	1.5411	1.5500	1.5593
JPY-SGD	1.2693	1.3000	1.3079	1.3100	1.3215
GBP-SGD	1.6598	1.6700	1.6783	1.6800	1.7000
AUD-SGD	0.9286	0.9400	0.9416	0.9454	0.9500
Gold	1417.90	1500.00	1522.30	1531.40	1543.13
Silver	15.93	17.20	17.23	17.30	17.42
Crude	51.88	54.90	54.91	55.00	56.04

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