

Daily Market Outlook

16 October 2019

Market Themes/Strategy

- Divergent themes buffeted the FX space, taking major pairs in different directions. The GBP ran on its own story, breaking through the key 1.2700 resistance and setting the stage for further upside extension. The **potential Brexit deal** imparted some positives in terms of risk sentiments, with the JPY and CHF also selling off.
- Global core yields stepped higher, led by the bunds and gilts, while US equities were supported by strong earnings. The **FXSI (FX Sentiment Index)** dipped lower, now comfortably within the **Risk-Neutral** zone.
- However, **it was not a one-way risk-on**. The IMF downgrade of global growth in 2019 to 3.0% from 3.2% in July reminded investors of ongoing growth concerns. Digging deeper, note that the growth downgrade for the US in 2019 was offset by an upgrade in 2020, as opposed to downgrades for both 2019 and 2020 in Europe and China. **This underlies our structural thesis that US/Fed remains on a better footing relative to other economies and central banks, and is a positive for the USD on a structural horizon.**
- Meanwhile, suspicions over the Phase 1 “deal” still swirls, with headlines suggesting that China wants a **rollback of tariffs** before purchasing the full US\$40-50b worth of agricultural goods, and may retaliate if the US Congress passes a bill in support of Hong Kong. The AUD reacted more on these negatives, and stayed heavy on the day.
- On the data front, watch for CPI prints in the EU (0900 GMT). Central bank calendar is also heavy, focus on Fed’s Evans (1300 GMT), ECB’s Lane (1400 and 1800 GMT) and BOE’s Carney (2200 GMT).
- In sum, there may still room to selectively pursue risk-on trades in the immediate horizon. There are better battles to fight than the AUD-USD downtrend. Prefer upside/supported posture for the USD-JPY and JPY-crosses instead.

Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

ngcyemmanuel@ocbc.com

Terence Wu

+65 6530 4367

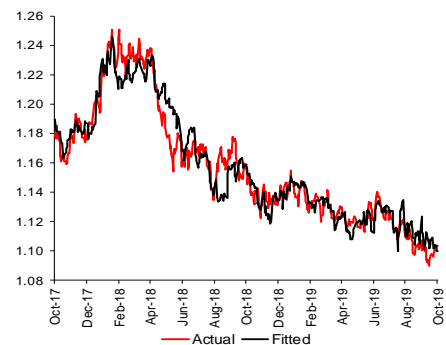
TerenceWu@ocbc.com

Daily Market Outlook

16 October 2019

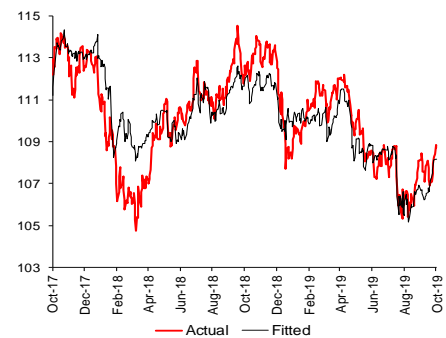
EUR-USD

Consolidation. Soft data, with German ZEW survey meeting consensus estimates but in deeply negative territory, pile scepticism onto the EUR-USD upside. Pending new cues, we expect range bound movement between 1.1000 and 1.060.



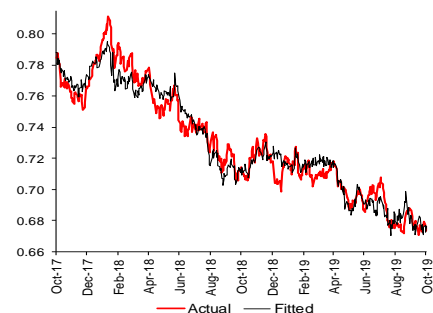
USD-JPY

Supported in near term. With 108.50 pierced, expect the USD-JPY to make an attempt at 109.00 and the 200-day MA (109.07), if risk sentiments hold up. We continue to favour the pair on the back of buoyant UST yields.



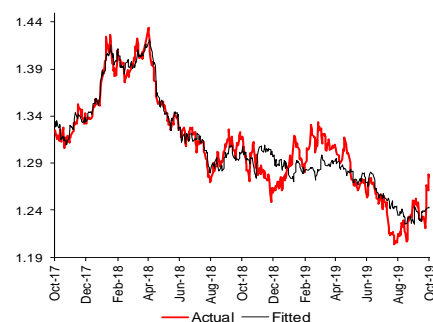
AUD-USD

Heavy. We continue to stay negative on the pair, expecting it to be most reactive if underlying suspicions of the Sino-US “deal” and growth concerns flare up again. At this juncture, we do not rule another test of the 0.6700 mark. Expect the 55-day MA (0.6778) to cap for now.



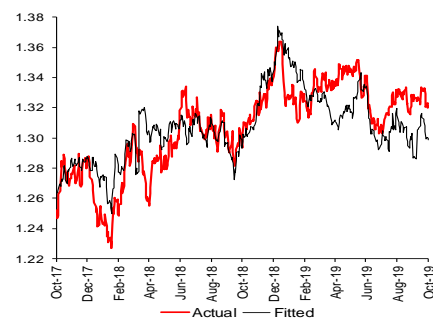
GBP-USD

Headline-driven. The GBP-USD closed north of 1.2700, breaking the downtrend line and 200-day MA (1.2714) resistances. This suggests a positive technical setup, possibly targeting 1.2830/40 next. However, we stay wary ahead of the EU Summit and parliamentary sitting later in the week.



USD-CAD

Range. The USD-CAD diverged from fellow commodity currencies, with data holding relatively well and BOC rate cut expectations fading off. Expect resistance near 1.3240/50 as the pair hovers near the 1.3200 mark.



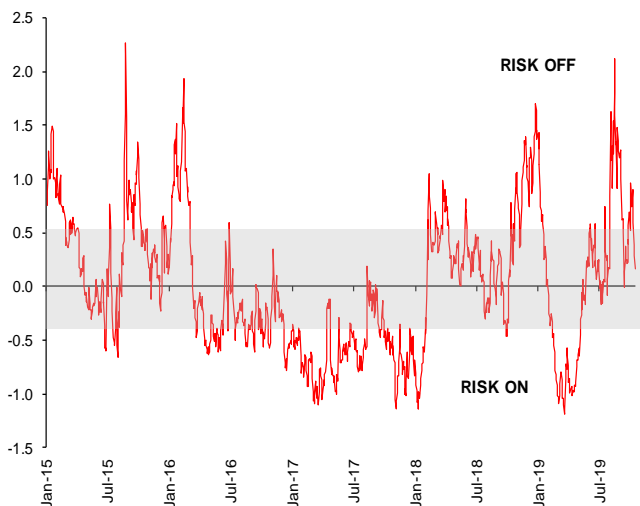
Daily Market Outlook

16 October 2019

Asian Markets

- USD-Asia:** The USD-CNH eased higher above 7.0900 this morning. Asian currencies as a whole may be buffeted by different factors today. Spillover risk-on sentiments should support, but the background concerns on global growth and Sino-US relations may also weigh on investors' minds. Overall, expect USD-Asia to be mixed to slightly firmer on the day.
- The Bank of Korea** delivered the heavily expected 25 bps rate cut, while signposting for growth to slip below prior expectations. However, we may not see consecutive rate cuts going forward, with the limited policy room setting the bar higher (cue worsening in global growth and trade tensions) for future cuts.
- USD-SGD:** The USD-SGD re-emerged above 1.3700 yesterday, tracking the USD-CNH higher. At this juncture, we do not expect outsized upside pressure on the pair. Instead, expect it to stay tethered to global (and RMB) cues. On the SGD NEER front, the basket eased lower to +1.44% above its perceived parity (1.3913), with NEER-implied USD-SGD thresholds higher on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0898	1.1000	1.1026	1.1039	1.1066
GBP-USD	1.2700	1.2714	1.2750	1.2754	1.2840
AUD-USD	0.6700	0.6701	0.6735	0.6778	0.6800
NZD-USD	0.6204	0.6247	0.6275	0.6300	0.6338
USD-CAD	1.3181	1.3200	1.3210	1.3264	1.3287
USD-JPY	107.10	108.00	108.68	108.83	108.90
USD-SGD	1.3698	1.3700	1.3718	1.3800	1.3816
EUR-SGD	1.5067	1.5100	1.5125	1.5200	1.5206
JPY-SGD	1.2550	1.2600	1.2622	1.2700	1.2902
GBP-SGD	1.7400	1.7482	1.7490	1.7500	1.7542
AUD-SGD	0.9200	0.9231	0.9238	0.9246	0.9300
Gold	1458.30	1470.05	1477.60	1500.00	1506.95
Silver	17.00	17.40	17.45	17.50	17.71
Crude	50.99	52.90	52.94	53.00	55.30

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Strategy & Research

LinaSSSelena@ocbc.com

Emmanuel Ng

Senior FX Strategist

NqCYEmmanuel@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbc.local

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

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).