

Daily Market Outlook

18 November 2019

Market Themes/Strategy – The week ahead

- The broad USD took a hit on Friday amid a risk-on sentiment and soft US data prints. With the risk sentiment turning abruptly, the haven currencies, JPY and CHF, were cut lower while the antipodeans were the main outperformers.
- In Europe, the GBP was supported on more headlines that reinforced the chances of a Tory majority government, and a commitment from the Tory candidates to back PM Johnson's Brexit deal. The EUR also extended higher after bouncing off the 1.1000 handle.
- Positive risk sentiment built on sound-bites from Kudlow, and Xinhua also confirmed constructive talks over the weekend. While the market takes a glass half full perspective to this (global equities and core yield curves firmer), we note no new concrete information that we are closer to a deal. The **FXSI (FX Sentiment Index)** plunged back into the **Risk-On** zone.
- On the **CFTC** front, the investment community remains very mixed on broad USD prospects. Asset managers reduced their implied USD short, while non-commercial accounts increased net implied long USD bias. However, leveraged accounts shed net implied USD longs marginally. **Digging deeper, non-commercial and leveraged accounts built up JPY shorts significantly in the latest reading**, underlying the shift in overall risk sentiment and the trend of moving against the JPY in the past 4 weeks.
- This week's data calendar looks relative light, save for flash Nov PMIs at the end of the week. More action on the central bank front, with meeting minutes of the **RBA** (Tue), **Fed** (Wed) and **ECB** (Tue) scheduled. On the political front, Trump impeachment hearings continue and UK political parties are to release their election manifestos.
- **Positive risk sentiment should prevail at the start of this week, but with the Sino-US front still fluid, the USD-JPY and AUD-USD may not out of the woods just yet. Elsewhere, we expect the EUR and GBP to stay supported for now.**

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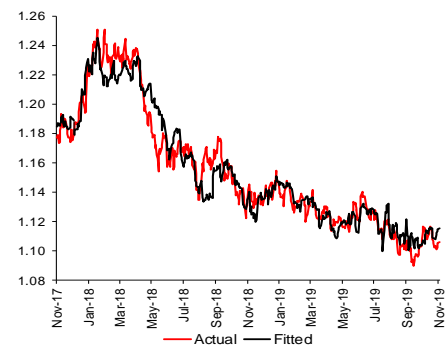
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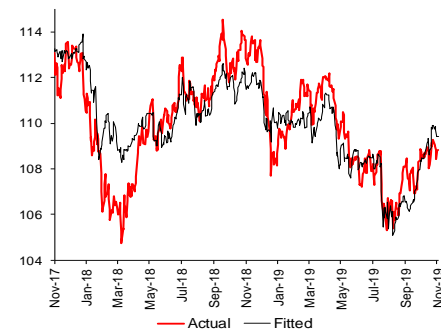
EUR-USD

Higher for now. The EUR-USD extended its rebound beyond the first resistance at 1.1040/50, setting up a positive technical setup favouring further uplift towards the 100-day MA (1.1095). Elevated short term implied valuations may also provide some buoyancy. Downside support at 1.1040 for now.



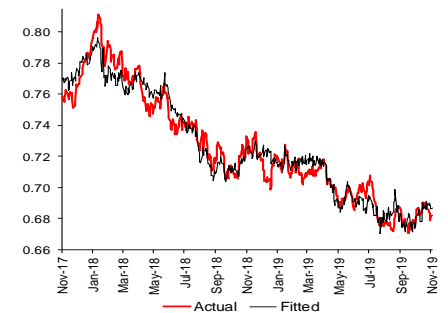
USD-JPY

Headline-driven. The USD-JPY lifted higher within the 108.10 – 109.00 range on a return of positive risk sentiment. Nevertheless, we should expect to see more sideways movement, until we have more definitive headlines on the Sino-US front. In the interim, the 200-day MA (109.00) may attract, but air should be scarce beyond 109.30 for now.



AUD-USD

Weighed down. With the AUD-USD bounce capped at 0.6820, we think the pair has not shaken off the downside bias despite the positive Sino-US headlines. We prefer to stay negative on the pair, unless it can stage a sustained push towards 0.6860. However, we recognize that risk sentiment may keep the pair supported in the interim.



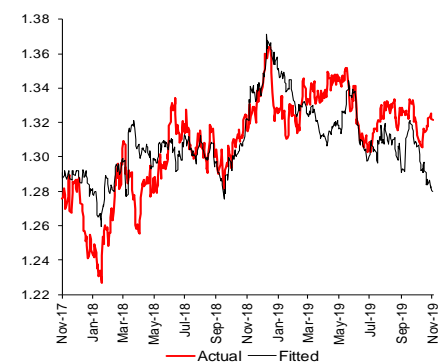
GBP-USD

Supported. For now, the odds for a Tory majority and subsequent Brexit along the lines of PM Johnson's deal appear to be bolstered further. This keeps the GBP-USD buoyant within the 1.2800 – 1.3000 range. Nevertheless, we note that breaching the 1.3000 top may be a more challenging proposition. Downside cushion expected at 1.2870.



USD-CAD

Turning higher. The BOC's Poloz remained uncommitted in this latest comment, but the USD-CAD turned further south on broad-based USD weakness. Interim support expected at 1.3200.



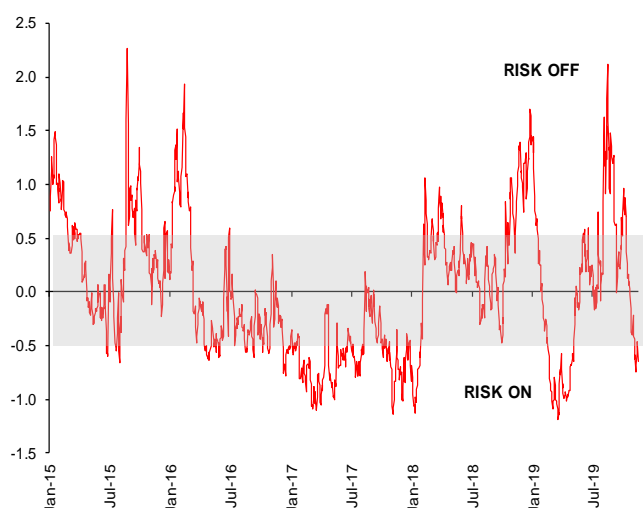
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Asian Markets

- USD-Asia:** The USD-CNH closed the week last Friday on a heavy tone, but nevertheless found no headway south of 7.0000 despite Sino-US positives. Firmer EM FX and equities should provide support for now, although the lack of follow-through for the USD-CNH on Friday may cast some doubts for USD-Asia bears. Pending new developments, expect USD-Asia to track USD-CNH for now.
- Beyond the Sino-US issues, **EPFR** data shows implied equity inflows into Asia (ex JP, CN) picked up significantly in the latest reading. Equity inflows into China also flipped aggressively into a sizable positive after five consecutive weeks in negative territory. On the bond front, implied bond inflows also held steady compared to the previous week. **Overall, the fund flows environment continues to impart implicit support for the Asian currencies.**
- On the Asian calendar, **Bank Indonesia** policy decision is scheduled this week (Thu). Watch also for 3Q GDP prints from Thailand (Mon) and Singapore (Thu)
- USD-SGD:** The USD-SGD bounced off 1.3600 on Friday, keeping the pair firmly within the 1.3560 – 1.3640 range for now. The SGD NEER is static at +1.65% above its perceived parity (1.3832), with NEER-implied USD-SGD thresholds also unchanged. October NODX came in softer than expected at -12.3% yoy (mkt: -10.0% yoy).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1041	1.1060	1.1100	1.1178
GBP-USD	1.2790	1.2900	1.2927	1.2955	1.3000
AUD-USD	0.6800	0.6816	0.6817	0.6900	0.6923
NZD-USD	0.6324	0.6345	0.6398	0.6400	0.6438
USD-CAD	1.3200	1.3210	1.3218	1.3276	1.3291
USD-JPY	108.14	108.24	108.79	109.00	109.30
USD-SGD	1.3573	1.3600	1.3608	1.3646	1.3662
EUR-SGD	1.4973	1.5000	1.5050	1.5100	1.5127
JPY-SGD	1.2428	1.2500	1.2508	1.2539	1.2597
GBP-SGD	1.7403	1.7500	1.7591	1.7600	1.7634
AUD-SGD	0.9229	0.9254	0.9276	0.9300	0.9338
Gold	1446.20	1446.82	1466.20	1492.20	1500.00
Silver	16.62	16.80	16.88	16.90	17.62
Crude	57.34	57.80	57.82	57.90	57.97

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