

Daily Market Outlook

18 September 2019

Market Themes/Strategy

- Despite the short term dollar funding squeeze (two cash injections by the Fed, more expected today), the dollar ended flat to weaker across G10 space on Tuesday with USD vulnerability accentuating into the NY session. The AUD, undermined earlier in the global day by slightly more dovish than expected RBA minutes, also recovered to end flat on the day. The EUR in particular found support from the markedly better than expected German September ZEW (expectations component). Bund yields firmed slightly in contrast to the softer UST curve.
- Positive US equities and softer crude (Saudi Arabia stated that oil supply will fully recover within weeks) provided a risk positive tone to the markets, even as the **FXSI (FX Sentiment Index)** continued to edge higher within the Risk-Neutral zone.
- Expect the FOMC to be the primary focus tonight with markets already suspicious that the Fed may ultimately disappoint on the dovish front and remain divided internally.
- **Uncommitted.** Expect markets to be in a holding pattern intra-day ahead of the FOMC. In the intervening hours, expect the EUR-USD to remain neutral with the USD-JPY still expected to be in supported territory (despite heightened expectations of further BOJ accommodation). In the same vein, despite some negativity out of the China complex on Tuesday, we think the AUD-USD is not in imminent danger of being derailed at this juncture and the pair should remain a buy-on-dips proposition.

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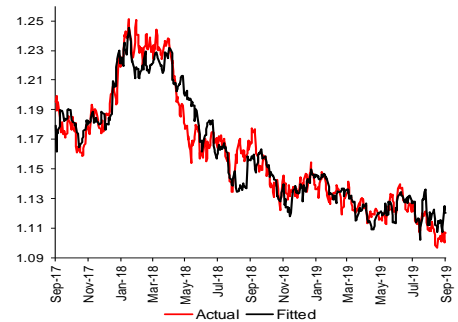
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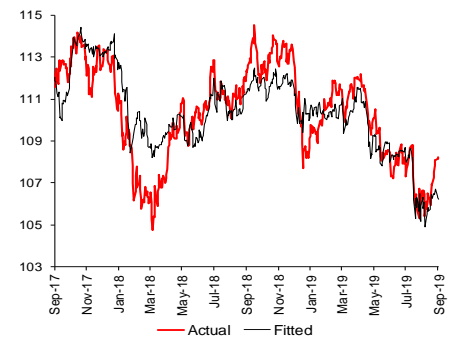
EUR-USD

Neutral for now. Mixed German ZEW survey (expectations component improved and above expectations) provided sufficient positivity to drive the EUR-USD higher overnight. Expect the EUR to remain within range, with 1.1100 capping topside and 1.1000 limiting dips, pending new cues from the FOMC.



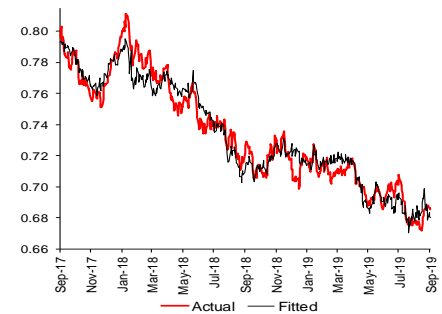
USD-JPY

Revert to upside bias. The risk environment continued to normalize after the Saudi incident, keeping the USD-JPY supported above the 108.00 handle. Note that short term implied valuations ticked lower again. For now, we continue to favour an extension towards 108.40, over a retracement to 107.80.



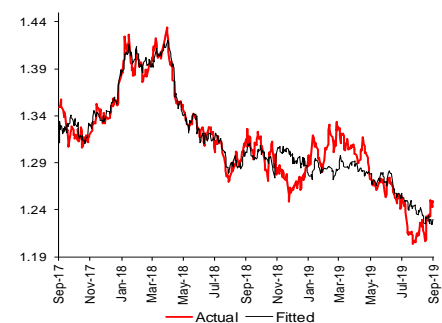
AUD-USD

Consolidative. Lingering China growth concerns, coupled with a dovish-leaning RBA, may offset ongoing risk appetite recovery, and give the AUD-USD a slightly heavy tinge into the FOMC later. Note that the short term implied valuations have accelerated lower, potentially adding another drag.



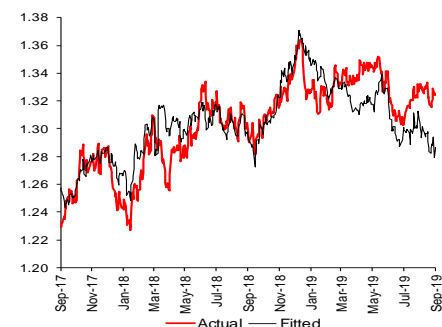
GBP-USD

Extend higher? The court hearing on PM Johnson prorogation of Parliament started yesterday, with the government's side looking somewhat in on the backfoot. The GBP-USD responded with another push towards the 1.2500 mark. Expect volatility over the next two days to stem from developments on this front, but we remain structurally negative on the GBP-USD, especially with the widening gap between the implied valuations and spot.



USD-CAD

Flat. Downside momentum struggled to take traction despite a firmer crude. With the Saudi incident now on the backburner, we may find limited downside catalysts in the near term. Expect the pair to trudge the space between the 55-day MA (1.3201) and the 100-day MA (1.3272) in the interim.



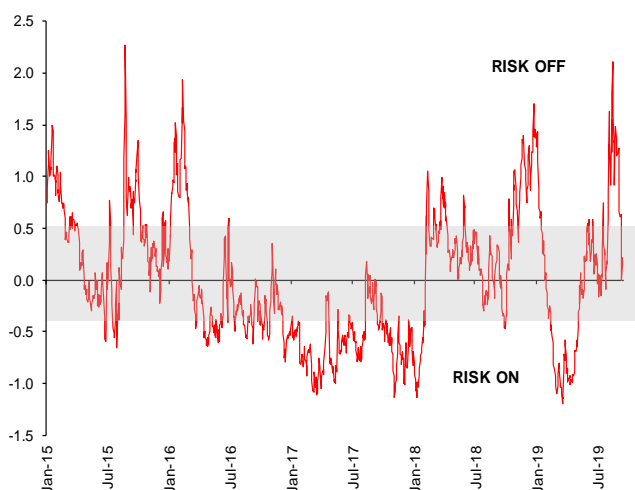
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Asian Markets

- USD-Asia:** USD-CNH still hovered above 7.0800 despite the broad dollar softness overnight with markets slightly unsettled after the PBOC left its MLF unchanged at 3.3% (now perceived as an intention to adhere to a prudent approach to monetary accommodation). Expect some spillovers from the weak USD into the Asian space today, but we think that the Asian currencies may still be handicapped by lingering macro concerns in China. Overall, expect USD-Asia to be flat-to-softer ahead of the FOMC.
- Broader EM sentiment may remain a tad cautious ahead of the FOMC tonight. Notably, the macro backdrop remains cautious, with the latest **BOK MPC minutes** suitably (if not increasingly) dovish.
- USD-SGD:** USD-SGD tracked lower overnight to the 1.3740 region and the pair may remain top heavy barring any further deterioration in regional risk appetite today. On the SGD NEER front, we stand at +1.11% above parity (1.3904), with NEER-implied USD-SGD thresholds easing lower.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0961	1.1000	1.1069	1.1100	1.1120
GBP-USD	1.2278	1.2400	1.2493	1.2500	1.2527
AUD-USD	0.6800	0.6848	0.6852	0.6895	0.6900
NZD-USD	0.6297	0.6300	0.6344	0.6400	0.6443
USD-CAD	1.3200	1.3213	1.3253	1.3300	1.3308
USD-JPY	107.12	108.00	108.21	108.37	108.71
USD-SGD	1.3713	1.3720	1.3751	1.3773	1.3800
EUR-SGD	1.5111	1.5200	1.5222	1.5300	1.5315
JPY-SGD	1.2691	1.2700	1.2707	1.2800	1.2860
GBP-SGD	1.6910	1.7100	1.7179	1.7200	1.7211
AUD-SGD	0.9321	0.9400	0.9423	0.9431	0.9487
Gold	1479.09	1500.00	1504.20	1553.12	1559.80
Silver	16.99	18.00	18.02	18.10	19.16
Crude	56.30	58.90	58.93	59.00	60.55

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