

Daily Market Outlook

19 August 2019

Market Themes/Strategy – The week ahead

- Despite slightly firmer UST (and other core global) yields, the dollar traded unevenly against the majors on Friday as the August U of Michigan consumer sentiment index and July housing starts disappointed. Elsewhere, comments from the Fed's Kashkari remained sufficiently dovish.
- On other fronts, dovish ECB expectations weighed on the EUR while improved global sentiment meanwhile saw the CHF and JPY underperforming across the board. Positive global equities and improved investor sentiment saw the **FX Sentiment Index (FXSI)** falling but still stuck in **Risk-Off** territory.
- On the **CFTC** front, large non-commercial accounts pared their net long dollar bias in the latest week but leveraged accounts countered this and increased their net long dollar bias instead. Meanwhile, asset manager accounts increased their net short dollar bias during the same period.
- Sino-US trade relations (and even headlines related to Huawei) may remain a focus for markets with investors keen for any cues that face-to-face negotiations in September would be confirmed. In the interim, watch for more details from planned conference calls in the coming week.
- The global calendar will be eventful to say the least this week, especially on the central bank front. Minutes from the RBA (Tue), FOMC (Wed) and ECB (Thu) policy meetings are scheduled before the **Jackson Hole get-together** (starting Fri). Expect comments from Fed's Powell and RBA's Lowe at Jackson Hole. On the data front, watch for global preliminary PMIs.
- **Overall, expect markets to be heavy on EUR-USD, subdued on AUD-USD while elsewhere, the JPY and CHF may remain waterlogged pending further developments on the risk appetite front. Essentially, investors may require more positive headlines this week to shake off the malaise from last week.**

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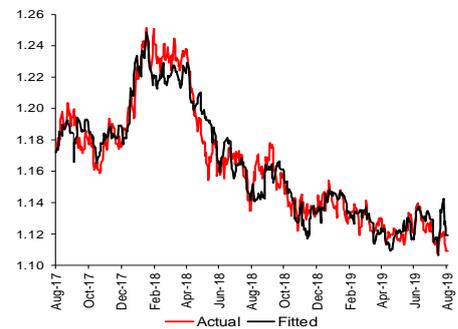
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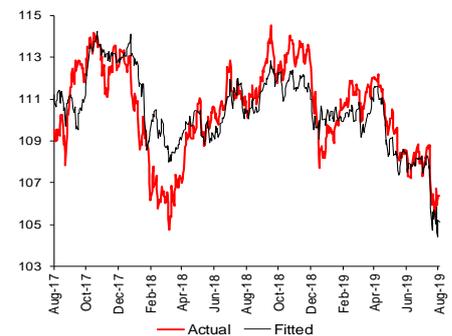
EUR-USD

Heavy. Chatter about increased fiscal deficit spending out of Germany failed to buoy the EUR-USD for long on Friday but expect dovish expectations surrounding the ECB to continue to weigh on the pair. Expect a heavy tone within 1.1050-1.1100 with short term implied valuations also succumbing to gravity.



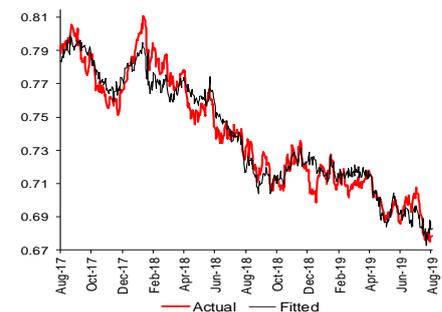
USD-JPY

Base build. Short term implied valuations are stabilizing in line with the near term recovery in global risk appetite levels. USD-JPY may then attempt to base build off the 106.00 floor within 105.70-107.00 pending further headline risks.



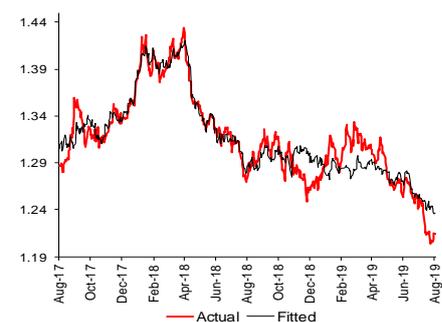
AUD-USD

Stabilizing but fragile. Apart from the RBA minutes this week, AUD-USD may continue to remain subject to global macro and Sino-US headlines. Despite still laden short term implied valuations, the pair may continue to hug 0.6780/00 within 0.6755-0.6820 range in the interim.



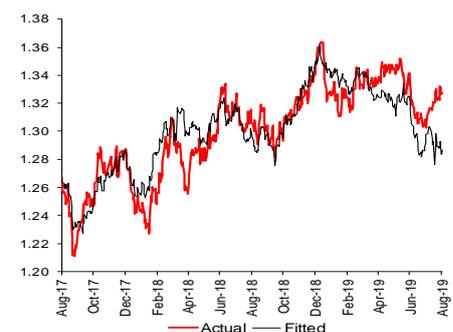
GBP-USD

Pause for now. GBP-USD bounced higher on Friday and the pair may attempt to recover beyond 1.2200 in the absence of unduly negative Brexit-related headlines. The caveat however is that short term implied valuations continue to slip in the background – indicating that any upside territory may be relinquished in a hurry if Brexit headlines turn negative once again.



USD-CAD

Consolidate but supported. Heavy short term implied valuations may finally exert some negative pressure on the pair, especially given the mild improvement in global risk appetite levels. Expect the 200-day MA (1.3310) to cap with 1.3230 seen providing initial support on dips.



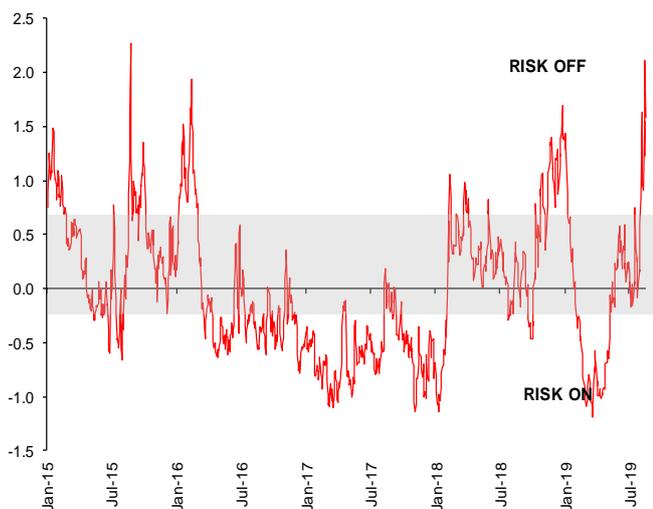
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Asian Markets

- **USD-Asia: Slight breather early week?** With a positive lead from the global equities, Asia should be greeted by good equity sentiment at the onset of the week. Overlaying this with a slight improvement in overall risk sentiments and some stability for the USD-CNH should see USD-Asia on a softer footing.
- On the RMB front, the CNH short end vol surface and risk reversals are now calmer and have settled lower post the spike in early August. This should translate into further consolidation in the USD-CNH spot. Indirectly, we expect this impart some stability for the USD-North (in particular), with the risk-reward likely favoring a lower **USD-KRW** and **USD-TWD** for now.
- On the **EPFR** front, net implied equity outflows for Asia (excl Jpan, China) halved in the latest week but net bond flows for the region flipped to a net outflow balance during the same period.
- **USD-SGD: Upside risks.** The USD-SGD retreated from the 1.3900 handle on Friday, although we think that movement should not temper the implicit lift underlying the pair. Probes towards 1.3900 will likely be fended off for now, with 1.3820 likely to prove supportive. Meanwhile, the SGD NEER stands at +0.45% above parity (1.3922), with NEER-implied USD-SGD thresholds turning softer to start the week. After the smaller than expected contraction in July NODX last week, attention will be diverted to the July CPI readings this Friday.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1027	1.1061	1.1092	1.1100	1.1223
GBP-USD	1.2015	1.2100	1.2147	1.2200	1.2430
AUD-USD	0.6677	0.6700	0.6777	0.6800	0.6914
NZD-USD	0.6378	0.6400	0.6415	0.6500	0.6601
USD-CAD	1.3183	1.3200	1.3273	1.3300	1.3310
USD-JPY	105.05	106.00	106.29	107.00	107.65
USD-SGD	1.3671	1.3800	1.3859	1.3900	1.3906
EUR-SGD	1.5300	1.5343	1.5372	1.5390	1.5400
JPY-SGD	1.2701	1.3000	1.3038	1.3100	1.3215
GBP-SGD	1.6598	1.6800	1.6835	1.6900	1.6991
AUD-SGD	0.9292	0.9300	0.9393	0.9400	0.9451
Gold	1421.00	1500.00	1506.00	1531.40	1545.71
Silver	15.97	17.00	17.04	17.10	17.43
Crude	54.70	55.00	55.30	56.06	56.34

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