

## Daily Market Outlook

19 November 2019

### Market Themes/Strategy

- Cyclical currencies, led by the AUD, took a hit after a headline that the Chinese side is pessimistic about closing the deal with US anytime soon surfaced. The USD also remained on the defensive after some market skepticism over the Trump-Powell meeting. The European complex runs on its own theme. The GBP was supported by new poll outcomes favouring the Tories, giving a boost to the EUR as well.
- Despite another 90-day extension for Huawei, the headline about Chinese officials being pessimistic kept overall risk appetite slightly negative on the day. The **FXSI (FX Sentiment Index)** edged higher towards Risk-Neutral, but stayed within the **Risk-On** zone.
- However, if we extract ourselves from the day-to-day gyrations of headlines and risk sentiment, the bigger picture remains one of risk-on. **The latest bout of uncertainties should not be enough to shake out the market consensus that the Phase 1 deal will be done at some point.**
- On the **central bank** front, after the weak employment data last week and RBA minutes this morning, the **RBA rate cut expectations may be priced back in by the market going forward.** Meanwhile, the **Fed's** Mester (moderate hawk, voter in 2020) reinforced the notion that the Fed is on hold after three consecutive cuts, and in assessment mode in terms of its impact on inflation. Apart from that, **note some market skepticism over the Trump-Powell meeting, which may be seen as potentially undermining Fed independence** – on the margins, this should be negative on the USD.
- Overall, risk-related plays will continue to be whipsawed by alternating headlines, but in the short term, risk-off plays may still have room to run as uncertainties persist. For now, we still retain a negative bias on the AUD, on both domestic and global cues. Elsewhere, there might still be some downside room for the DXY in the near term. We position for that by favouring a higher EUR-USD, potentially targeting the 1.1100 handle.

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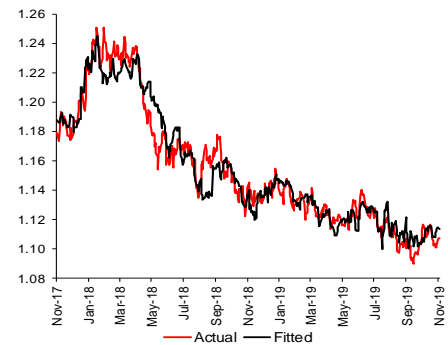
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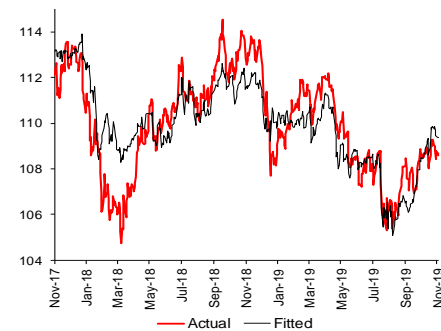
### EUR-USD

**Higher for now.** Despite retracing after a brief test of the 100-day MA (1.1093). The upside bias for the EUR-USD may still persist for now, with the immediate upside target at 1.1080/00. 1.1040 may cushion on the downside.



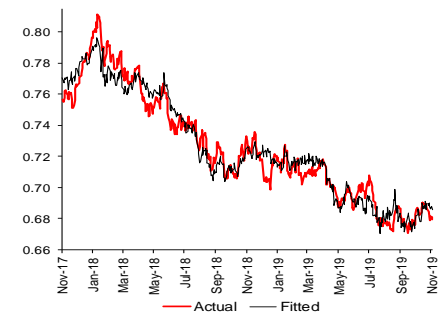
### USD-JPY

**Headline-driven.** The failure to sustain above the 109.00 handle keeps the USD-JPY trapped within the 108.10 – 109.00 range. With risk sentiment shifty on noisy Sino-US headlines, continue to expect sideways movement, pending more definitive progress.



### AUD-USD

**Weighed down.** The AUD-USD faces renewed downside impetus, after the RBA minutes revealed that a rate cut was discussed at the November policy meeting. Going forward, the paring of rate cut expectations in the run-up to the November RBA meeting may have been premature, and rate cuts may be priced back in going forward. Expect the pair to succumb to gravity, with 0.6760 likely to attract today. Bounces may be capped at 0.6800/10.



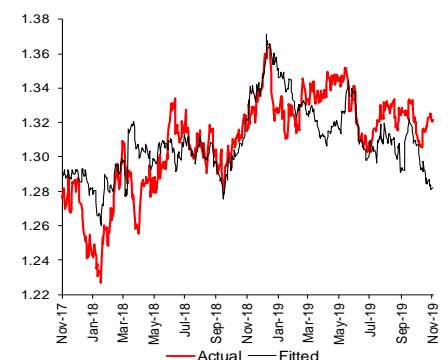
### GBP-USD

**Supported.** Latest poll results continue to point towards a Tory majority, with the sense of political certainty providing support for the GBP for now. We keep a close watch at 1.3000, the top of the recent range. Expect a 1.2870 to 1.3000 range in the interim.



### USD-CAD

**Consolidate.** The failure to breach the 200-day MA (1.3276) may see the USD-CAD turn lower for now. With the pair flexing against the confluence of the 55- and 100-day MA at 1.3200/10, any breach of that level may point to further downside. In the interim, watch comments from Wilkins later today (1800 GMT).



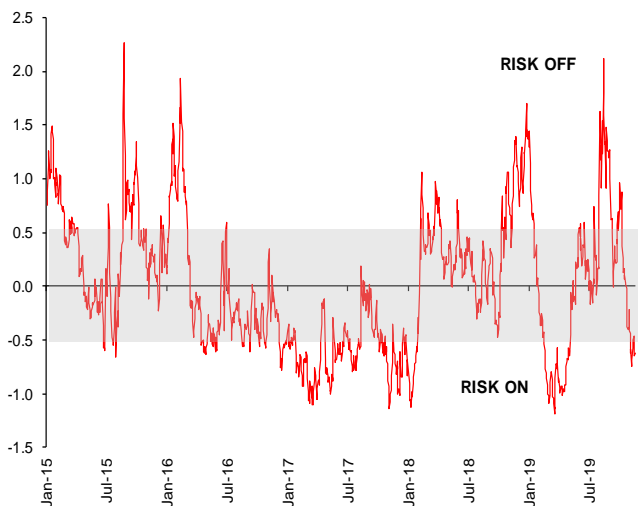
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### Asian Markets

- USD-Asia:** The USD-CNH lifted higher towards 7.0300 on Monday against a slight risk off backdrop. Despite the weaker USD within the G10 space, EM FX turned softer against the USD. The lead-in for the Asian currencies is slightly negative today, thus, expect USD-Asia to edge higher on an intraday basis.
- On the Asian portfolio flows front,** the strong inflow momentum into Taiwan appears to have topped and may start to edge lower. On the flipside, the pace of inflow moderation in South Korea has slowed. In South Asia, inflow momentum in India continues to accelerate higher, with support from equity inflows, while bond inflows into Indonesia are also showing signs of tapering.
- USD-SGD:** The 1.3600 floor remains a firm support for the USD-SGD in the interim. For now, we expect the pair to build base off that level, perhaps targeting 1.3630/40 as an immediate upside target. The SGD NEER is slightly firmer at +1.68% above its perceived parity (1.3838), with NEER-implied USD-SGD thresholds edging higher.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1042	1.1069	1.1100	1.1176
GBP-USD	1.2785	1.2900	1.2951	1.2970	1.3000
AUD-USD	0.6710	0.6780	0.6793	0.6800	0.6815
NZD-USD	0.6324	0.6345	0.6389	0.6400	0.6437
USD-CAD	1.3200	1.3211	1.3212	1.3276	1.3294
USD-JPY	108.14	108.26	108.61	108.99	109.00
USD-SGD	1.3573	1.3600	1.3608	1.3644	1.3663
EUR-SGD	1.4973	1.5000	1.5064	1.5100	1.5124
JPY-SGD	1.2429	1.2500	1.2530	1.2540	1.2593
GBP-SGD	1.7396	1.7600	1.7624	1.7653	1.7700
AUD-SGD	0.9229	0.9237	0.9244	0.9300	0.9333
Gold	1446.20	1446.61	1471.00	1491.88	1500.00
Silver	16.62	16.90	16.99	17.00	17.60
Crude	55.66	56.90	56.95	57.00	57.36

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