

## Daily Market Outlook

20 August 2019

### Market Themes/Strategy

- UST yields led the way higher for global core yields, lending support for the broad USD overnight. The USD also gained support from decidedly less-than-dovish comments from the Fed's **Rosengren**. Meanwhile, the havens, JPY and CHF, underperformed on improving risk sentiments. Overall, the DXY continued to move clear of the 98.00 handle.
- Positive global equities, softer XAU and firmer UST/bund yield curves continue to set the tone for a steady recovery in risk sentiments. A further boost from the headline front was gained when the 90-day Huawei exemptions were confirmed. The **FX Sentiment Index (FXSI)** eased lower but is still stuck deep in **Risk-Off** territory.
- Expect investors to focus on central bank dynamics ahead of the **Jackson Hole Symposium** (starting Fri). The broad USD tone ahead may be determined by any shift in the Fed's stance since the August FOMC. **Barring a significant dovish shift, we expect the market to still regard the Fed as being in a stronger position relative to the likes of ECB and RBA, providing implicit support for the USD.** In addition, any signals of further easing at the ECB and RBA this week should depress the **EUR** and **AUD**.
- Separately, we cautiously look for further consolidation in risk markets, especially if we see no further deterioration on the Sino-US trade front. In this context, the likes of **USD-JPY** and **USD-CHF** to may cautiously probe higher.
- **Overall, we retain the view for a heavier EUR-USD and AUD-USD on central bank dynamics. However, this negative pressure on the AUD-USD may be somewhat diffused on the back of improving risk sentiments. Elsewhere, the USD-JPY and USD-CHF may probe higher in a cagey fashion if risk sentiments continue to improve.**

#### Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

Terence Wu

+65 6530 4367

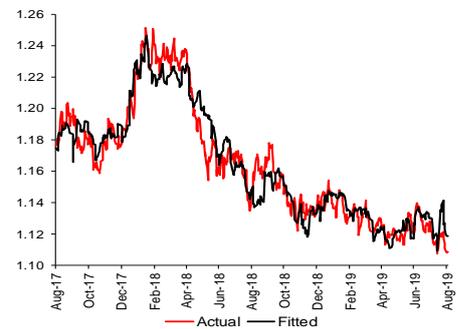
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

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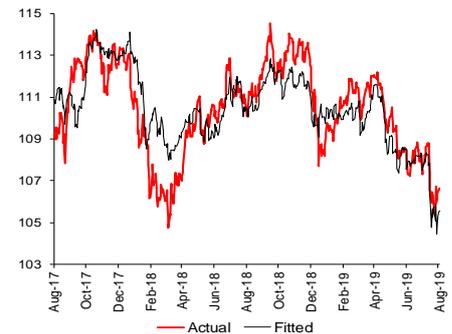
### EUR-USD

**Heavy.** Soft EZ CPI prints yesterday did the pair no favours, while soft ECB rhetoric (relative to the Fed) impart fundamental negative pressure on the EUR. Retain a sell-on-rallies posture on this pair for now, with short term implied valuations also pointing south. Expect 1.1050 to be an immediate target on the downside, while 1.1130 may cap on bounces.



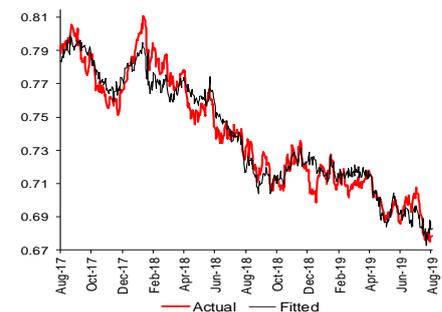
### USD-JPY

**Base build.** Ongoing recovery in global risk appetite levels may allow the USD-JPY to cautiously search higher, with short term implied valuations also supportive. Near-term cap at 107.00/20, but expect the pair to be responsive to any negative headlines.



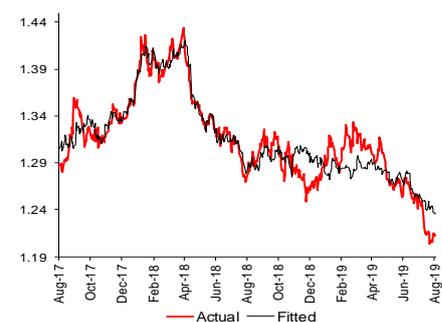
### AUD-USD

**Stabilizing but fragile.** The Aug RBA meeting minutes this morning was not unduly dovish, and that may keep the AUD-USD supported for now, pending further global macro and Sino-US headlines. Expect the pair to be trapped within the 0.6755-0.6820 range in the interim.



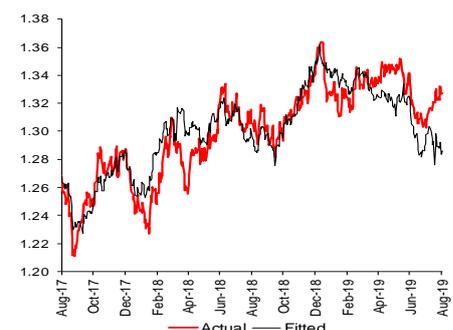
### GBP-USD

**Recovery halted.** GBP-USD dipped lower as Brexit issues came back to forefront, with PM Johnson making the first official overture to renegotiate Brexit and calls were made for an early return of Parliament. Expect the pair's recovery to be halted for now and the 1.2100 handle may once again attract, as investors prepare for potential negative headlines.



### USD-CAD

**Consolidate but supported.** The USD-CAD retraced higher on the back of Rosengren's comments, and may retest 1.3350 levels intraday. Dips may be limited to 1.3250. With the pair tearing from its short term implied valuations, we retain a slight upside bias for now.



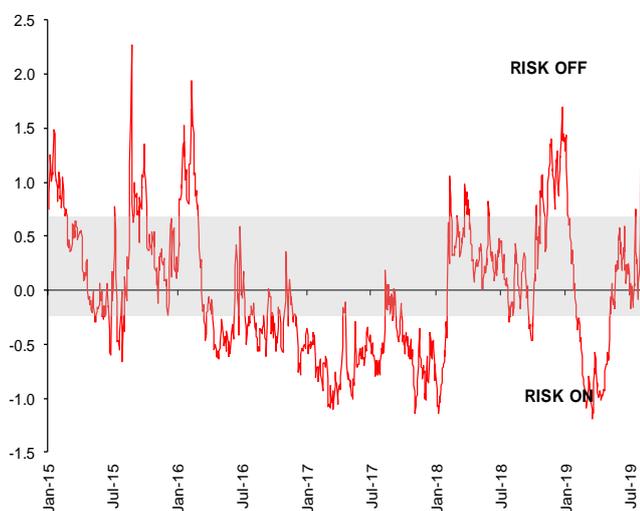
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### Asian Markets

- USD-Asia:** Ongoing recovery of risk sentiments should benefit Asian currencies, although this is offset by a buoyant USD-CNH that followed from the regulatory changes at the PBOC. With these divergent pressures, expect the Asian currencies to potentially drift in different directions for now, although the overall bias beyond the immediate horizon may still be for a higher USD-Asia.
- On the actual portfolio flows front,** we note ongoing deterioration of flow momentum across Asia, with the exception of South Korea. In particular, equity outflow momentum in Taiwan and Thailand has been picked up significantly.
- USD-SGD: Upside risks.** The USD-SGD drifted between 1.3840 and 1.3880 overnight with limited directionality. Upside momentum for the pair may be somewhat exhausted, and it may settle within the 1.3800 and 1.3900 range for now, pending further leads. Meanwhile, the SGD NEER stands higher at +0.60% above parity (1.3938), even though the NEER-implied USD-SGD thresholds ticked higher.

### 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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## Treasury Research & Strategy

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### Macro Research

**Selena Ling**

Head of Strategy & Research

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Emmanuel Ng**

Senior FX Strategist

[NqCYEmmanuel@ocbc.com](mailto:NqCYEmmanuel@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Terence Wu**

FX Strategist

[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities

[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Alan Lau**

Malaysia & Indonesia

[AlanLau@ocbc.com](mailto:AlanLau@ocbc.com)

**Carie Li**

Hong Kong & Macau

[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau

[dicksnyu@ocbc.local](mailto:dicksnyu@ocbc.local)

### Credit Research

**Andrew Wong**

Credit Research Analyst

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst

[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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