

## Daily Market Outlook

20 November 2019

### Market Themes/Strategy

- The broad USD trudged a divergent path against G10 counterparts, with idiosyncratic drivers seen taking major pairs in different directions. Antipodeans outperformed after a knee-jerk reaction lower in response to the **RBA** minutes, with good buying seen sub-0.6800. The CAD was cut lower with the BOC's Wilkins not doing much to alleviate rate cut expectations in her latest comments.
- The GBP eased lower from the 1.3000 level, with the balance seen tilting away from the Tories slightly after the leadership debate. With the options market not showing signs of an upside break, we expect the 1.3000 range top to still cap for now.
- On the **risk appetite** front, the newswires carried reports of Trump threatening more tariffs and also considering rollback of tariffs. This back-and-forth generates significant noise, and no concrete developments. Expect risk-related plays like the USD-JPY to be trapped within range for now. Overall, the **FXSI (FX Sentiment Index)** stayed within the **Risk-On** zone, but edged towards Risk-Neutral again, denoting a slight deterioration of risk appetite.
- Perhaps more focus should be on the bill supporting the Hong Kong protestors passed by the US Senate. The convulsion of the Hong Kong issue with the Sino-US trade talks may increase the risk of the Phase 1 deal falling through.
- Meanwhile, front-end **UST yields** remains largely supported on the Fed's rate cut pause, but back-end UST yields continued to capitulate lower on Sino-US uncertainties. Expect this flattening bias to persist. While global core yields have also moved lower, the UST yields have led this move so far (10y UST yield at around 1.75%). For now, yield differential arguments may point to a heavy USD against the JPY and EUR in the near term.
- Notwithstanding the bounce yesterday, market re-pricing of RBA rate cut expectations should persist (note Australian govie yields slipped the most within the DM space overnight). Overlay with the still hesitant risk sentiment, we stay negative on the AUD.

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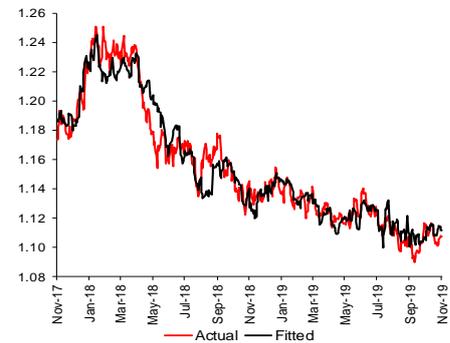
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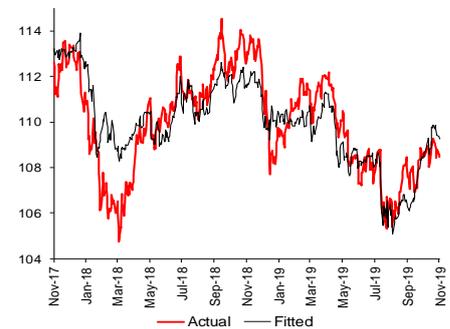
### EUR-USD

**Consolidate.** Upside momentum for the EUR-USD appears to have stalled somewhat just south of the 1.1100 handle. However, with rate differentials against the USD in favour of the EUR, we do not rule out another push for that level in the coming sessions. Downside cushion may enter at 1.1060 for now.



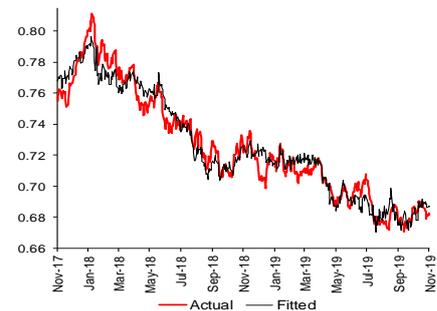
### USD-JPY

**Headline-driven.** The USD-JPY dipped lower within the 108.10 – 109.00 range overnight. The south-bound short term implied valuations suggest a somewhat heavy outlook. Nevertheless, with the Sino-US headlines swinging back-and-forth, expect the pair to remain range-bound pending more concrete developments.



### AUD-USD

**Weighed down.** The bounce in AUD-USD extended further than expected, and perhaps flushed out intra-day shorts. We retain a negative bias for the pair, with 0.6800 the immediate downside target. However, a further extension higher towards 0.6860 may negate the downside bias if it crystallizes.



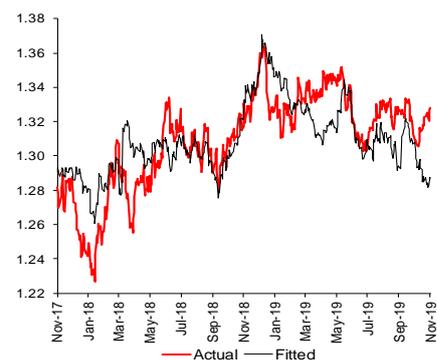
### GBP-USD

**Supported.** The GBP-USD eased off lower from the 1.3000 mark, with the balance seen tilting slightly against the Tories after the first TV debate. Expect 1.3000 to limit upside moves for now, as the pair edges back to the middle of the recent range.



### USD-CAD

**Consolidate.** The BOC's Wilkins did little to assuage rate cut expectations, and that kept the USD-CAD aloft. The 200-day MA (1.3277) would be a key level to watch, with a close above signaling further upside towards the 1.3350 zone.



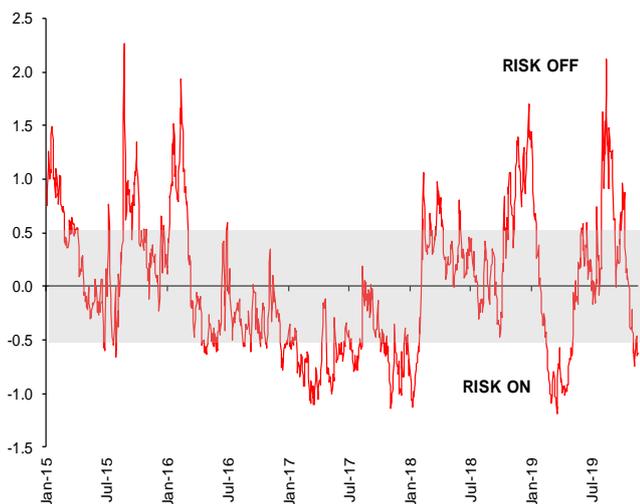
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### Asian Markets

- USD-Asia:** The USD-CNH remained buoyant around the 7.0300 zone. With global equities in an unstable footing, and risk sentiment still hesitant, we expect USD-Asia to see implicit upside pressure in the immediate horizon. We remain negative on the KRW (collapse of inflow momentum into Korea), as the USD-KRW flexes against 1170.00. A breach of this level may see more upside pressure. However, South Asian currencies may stay relatively more resilient on the back of improving inflow environment.
- Further forward,** the **PBOC's** ongoing drip-feed of stimulatory measures, at a time where Fed/ECB are in a pause, underlies the still soft macroeconomic situation in China (and the rest of Asia, by extension). In the interim, expect back-end yields in China to stay suppressed on further market expectations of easing measures. Pre-conditions for Asian currencies to see a sustained run may not be in place just yet.
- USD-SGD:** An implicit uplift remains for the USD-SGD, tracking the rest of USD-Asia. The 1.3600 floor remains firm, and the pair may be attracted towards 1.3630 for now. The SGD NEER turned softer to +1.58% above its perceived parity (1.3838), with NEER-implied USD-SGD thresholds marginally softer.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1043	1.1072	1.1100	1.1171
GBP-USD	1.2787	1.2900	1.2907	1.2965	1.3000
AUD-USD	0.6800	0.6814	0.6818	0.6900	0.6923
NZD-USD	0.6346	0.6400	0.6421	0.6443	0.6466
USD-CAD	1.3214	1.3277	1.3282	1.3300	1.3315
USD-JPY	108.11	108.28	108.47	108.98	109.00
USD-SGD	1.3573	1.3600	1.3617	1.3643	1.3663
EUR-SGD	1.4973	1.5000	1.5078	1.5100	1.5122
JPY-SGD	1.2500	1.2542	1.2554	1.2597	1.2600
GBP-SGD	1.7399	1.7500	1.7576	1.7600	1.7645
AUD-SGD	0.9229	0.9242	0.9284	0.9300	0.9331
Gold	1446.05	1446.20	1473.70	1491.49	1500.00
Silver	16.62	17.10	17.11	17.20	17.58
Crude	54.58	55.20	55.29	55.30	55.62

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