

Daily Market Outlook

21 November 2019

Market Themes/Strategy

- Despite softer UST yields, the broad USD saw gains across the G10 space. Cyclical again underperformed with overall risk appetite souring further. EUR and GBP closed little changed against the USD.
- On the **Fed** front, the October FOMC minutes transmitted a now familiar message – positive on the US economy, but downside risks (chief of which is trade) remain. Note that there were also indications that October cut was less well-supported than the first two. Overall, it reinforces the view that the Fed is in an extended pause. **With the exception of the RBA and PBoC, expect the markets to shift attention away from the central banks for now.**
- With Trump expected to sign into law the bill in support of Hong Kong, and reports that the Sino-US Phase 1 deal may not be concluded this year, risk sentiment took another hit overnight. Global equities and core yield curves slipped lower in response.
- The back-and-forth in headlines keeps investors jittery. However, we see no capitulation in the **FXSI (FX Sentiment Index)**, which (for now) remains well-anchored around the **Risk-Neutral / Risk-On** zone. **This suggests to us that, on balance, there is still optimism that the Phase 1 deal can be concluded in time to come.** Next key date to watch is 15 Dec, when the next round of tariffs is scheduled to come online.
- In the near term, ongoing uncertainties over the Sino-US developments should keep the **USD-JPY** and **AUD-USD** implicitly heavy. Developments on the rates front – softer back-end UST yields, ACGBs outperforming even the USTs (10y ACGB yield around 1.05%) – points to further downside pressure on the two pairs. Elsewhere, rate differential arguments and still-buoyant GBP should provide support for the **EUR-USD**. However, we may need to see new catalysts for these pairs to break through their respective support and resistance levels.

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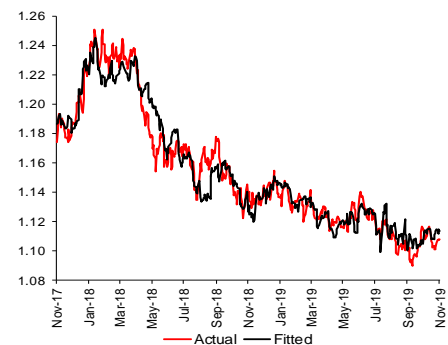
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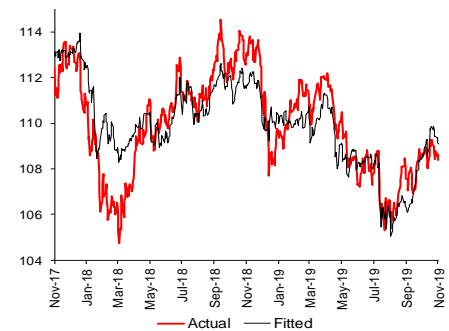
EUR-USD

Consolidate. With rate differentials in support, the EUR-USD may retain an upside bias for now. Downside impetus remains limited, though the 1.1080/00 resistance has held well. Overall, expect the pair to hover just south of 1.1080, with any declines towards 1.1050/60 likely to be rejected in favour of 1.1100 for now.



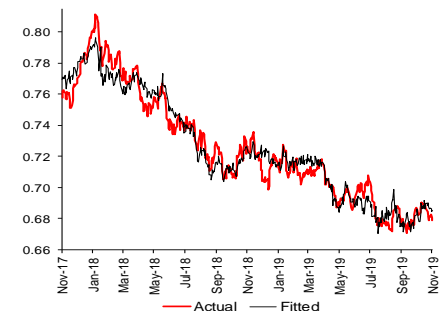
USD-JPY

Headline-driven. The USD-JPY stayed heavy within range. Note that short term risk reversals have capitulated in favour of JPY calls, and this adds another argument for implicit heaviness in the pair in the immediate horizon. Do not rule out a test of the recent lows at 108.00/10 if Sino-US headlines remain negative.



AUD-USD

Weighed down. The bounce in AUD-USD was short-lived, with the pair reverting to a downside bias swiftly. With the pair below 0.6800 once again, and short term implied valuations southbound, we do not rule out a test of 0.6860/70 in the coming sessions.



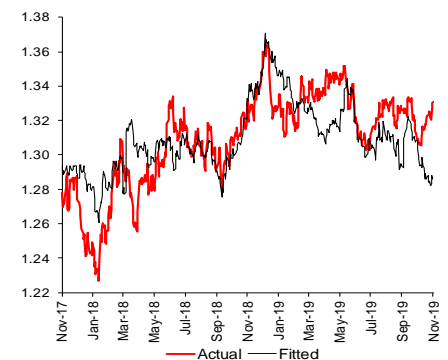
GBP-USD

Supported. Expect the pair to stay in a holding pattern south of the 1.3000 mark for now, with investor attention still on the election developments. Limited impetus to push the pair beyond 1.3000 for now, and expect 1.2890 to cushion on the downside.



USD-CAD

Consolidate. The rate cut expectations at the BOC continues to be priced in, with Poloz's (1340 GMT) comments expected to be closely watched. In the interim, expect the pair to stay buoyant. If Poloz proves to lean dovish, look for the pair to potentially retest 1.3350.



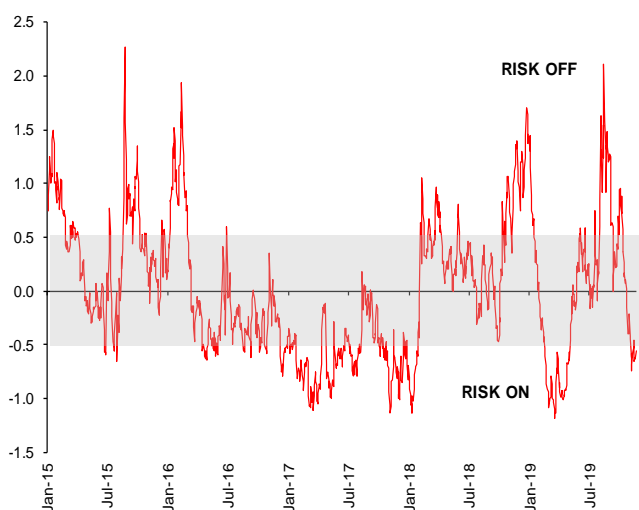
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Asian Markets

- USD-Asia:** The USD-CNH lifted higher above the 7.0400, and is testing 7.0500 early Thursday. The USD-KRW also sailed north of 1175.00. With Sino-US uncertainties back to the fore, expect North Asia (KRW in particular, on dividend outflows and collapse in bond/equity inflows) to underperform, although TWD may be more resilient on the back of equity inflow momentum.
- On the calendar, watch for **Bank Indonesia's** policy decision later today. While no change is expected, watch the rhetoric for the trajectory for next year.
- USD-SGD:** 3Q GDP growth printed +0.5% yoy (mkt: +0.4% yoy, OCBC forecast: +0.5% yoy), up from +0.1% yoy flash estimates. MAS policy stance still also regarded as appropriate at present, although that may shift as the economy evolves. No outsized reaction in the USD-SGD in response to the data release, and the pair remains on a slight uptrend in-line with the USD-CNH. On the SGD NEER front, the basket currently stands at +1.62% above parity (1.3847), with NEER-implied USD-SGD thresholds firmer. We continue to expect the range of +1.50% to +1.70% above parity to hold for the SGD NEER. There is not much impetus for the basket to move south towards +1.0% unless there is a shift in global cues.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1044	1.1078	1.1100	1.1169
GBP-USD	1.2789	1.2900	1.2928	1.2973	1.3000
AUD-USD	0.6724	0.6775	0.6790	0.6800	0.6813
NZD-USD	0.6346	0.6400	0.6402	0.6443	0.6466
USD-CAD	1.3277	1.3300	1.3318	1.3328	1.3335
USD-JPY	108.09	108.28	108.31	108.97	109.00
USD-SGD	1.3573	1.3600	1.3626	1.3642	1.3663
EUR-SGD	1.4973	1.5000	1.5095	1.5100	1.5119
JPY-SGD	1.2500	1.2543	1.2581	1.2600	1.2630
GBP-SGD	1.7396	1.7600	1.7616	1.7660	1.7700
AUD-SGD	0.9229	0.9231	0.9252	0.9300	0.9327
Gold	1445.61	1446.20	1475.60	1490.99	1500.00
Silver	16.62	17.10	17.14	17.20	17.57
Crude	55.69	56.80	56.81	56.90	57.38

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