

Daily Market Outlook

22 October 2019

Market Themes/Strategy

- The USD was mixed yesterday on the back of a risk-on backdrop. The USD underperformed the antipodeans again, while seeing small gains against the havens and European complex.
- Positive Sino-US headlines (tariff increases scheduled in December may be taken off) supported the overall risk-on sentiments. Global equities stepped higher, with the S&P 500 once again closing above the 3000.00 mark. Overall, the **FXSI (FX Sentiment Index)** dipped lower within the **Risk-Neutral** zone.
- Note that core long-end yields have been stepping higher, with 10y UST yields flexing against the 1.80% handle. We expect stronger resistance for the 10y UST yield at around 1.85 – 1.90% zone. **From a macro perspective (US growth consolidating lower, other DM growth not picking up), there may little justification for sustained selling in the DM government bonds.** Thus, we prefer not to extrapolate the recent moves too far into the future.
- On the **Brexit** front, expect the UK parliament to finally vote on Johnson's Brexit deal, with the 2nd reading vote later today (1900 GMT). Failing at this stage sinks this deal. Note that the parliament will also be voting on the timeline of getting the Brexit deal legislation through (assuming 2nd reading vote passes). Failing here may cost Johnson to miss the 31 October deadline. In the interim, with the Johnson perhaps likely to (barely) get pass the hurdle, expect the GBP to stay relatively supported.
- **Overall, we remain negative on the USD within the G10 space. We prefer to express that view through longs in the EUR-USD and AUD-USD. Nevertheless, with both pairs are now nearing stronger resistance at 1.1200 and 0.6900 respectively, the pace of gains may slow.**

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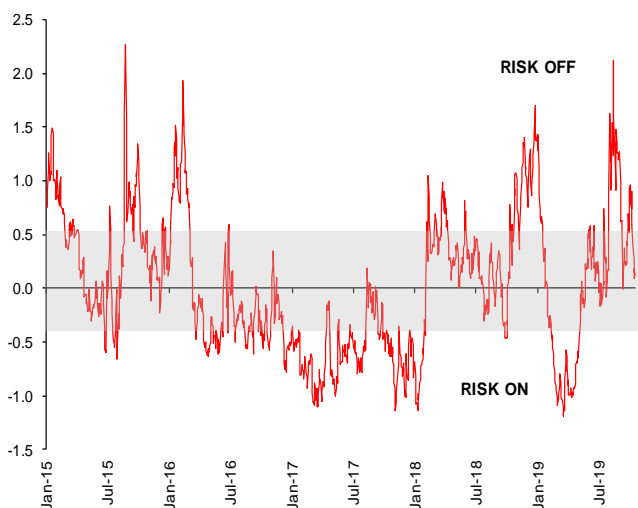
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Asian Markets

- USD-Asia:** The USD-CNH stayed heavy within a narrow range around the 7.0700 mark yesterday, while sizable downside moves were noted for the likes of the USD-KRW and USD-IDR. We may instead see some consolidation on an intraday basis today, but **with the risk positive overtone still rolling, we think the USD-Asia downside is probably not done yet for now.**
- In terms of **actual portfolio flows**, note an increasing inflow momentum into Indian equities. Inflow momentum on Taiwan equities are also sustained at an elevated level. On the other hand, bond inflows across Asia continues to lose traction, with inflow momentum lower in South Korea (still positive), effectively neutral in Indonesia, and small outflows in India and Thailand.
- USD-SGD:** The USD-SGD ground lower towards the 1.3600 as expected. 1.3600 should still implicitly attract, but we do expect some stronger resistance at that level. Failure to hold may see further extension to 1.3570/80. **Meanwhile, the SGD NEER continued its upward climb on a weak DXY and a RMB that is underperforming the rest of Asia.** The basket stands at +1.72% above its perceived parity (1.3838) this morning, with NEER-implied USD-SGD thresholds easing lower. **Without a shift in global dynamics, we expect the SGD NEER to stay elevated.**

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1036	1.1100	1.1154	1.1172	1.1179
GBP-USD	1.2716	1.2900	1.2970	1.3000	1.3013
AUD-USD	0.6800	0.6867	0.6876	0.6895	0.6900
NZD-USD	0.6400	0.6404	0.6427	0.6451	0.6500
USD-CAD	1.3079	1.3081	1.3082	1.3100	1.3254
USD-JPY	107.31	108.00	108.67	108.94	109.00
USD-SGD	1.3570	1.3600	1.3603	1.3657	1.3700
EUR-SGD	1.5068	1.5100	1.5173	1.5200	1.5214
JPY-SGD	1.2500	1.2517	1.2518	1.2525	1.2600
GBP-SGD	1.7363	1.7600	1.7644	1.7700	1.7721
AUD-SGD	0.9252	0.9300	0.9354	0.9361	0.9367
Gold	1458.30	1467.36	1482.40	1500.00	1506.49
Silver	17.19	17.50	17.55	17.60	17.75
Crude	51.33	53.40	53.49	53.50	55.34

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