

Daily Market Outlook

24 October 2019

Market Themes/Strategy

- The USD was firm in the Asian and early London sessions before turning south in the NY hours. Safe havens, JPY and CHF underperformed, as risk sentiment ticked higher on news that EU is expected to grant the Brexit deadline extension filter through (France's Macron holding out against a 3-month extension). The GBP also ticked higher in response.
- US/EU equities closed mostly flat to firmer, but despite softer core yields, we note the return of a slight risk-on tinge in the market. The **FXSI (FX Sentiment Index)** continued to edge lower within the **Risk-Neutral** zone. We are now closer to the Risk-On boundary than Risk-Off.
- Preliminary PMIs in Europe (0715 GMT) and US (1345 GMT) headline an otherwise light calendar. Watch the ECB policy decision (1145 GMT) as well. We expect more dovish rhetoric, but with the ECB having already made its move in the previous meeting, do not expect further policy actions for now. Nevertheless, expect some event risk for the EUR intraday.
- **As it stands, antipodeans and the European complex retain an upper hand against the likes of the USD and JPY – hold a bias for a firmer EUR-USD, AUD-USD and the JPY-crosses.**
- However, it may be worth contemplating how much runway there is left for the geopolitical events to pan out. The positive Brexit story looks to be in the closing chapters, leaving the inherently more hairy and uncertain Sino-US developments as the main geopolitical driver ahead. If there are no new headlines on that front, we may revert to trading off relative macro and central bank dynamics.

Treasury Research

Tel: 6530-8384

Terence Wu

+65 6530 4367

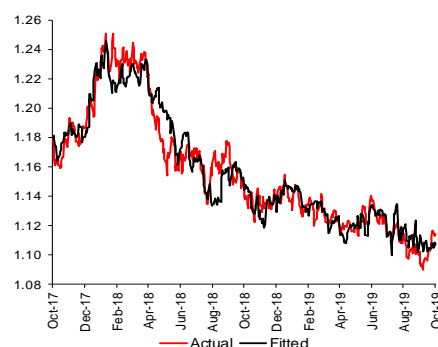
TerenceWu@ocbc.com

Daily Market Outlook

24 October 2019

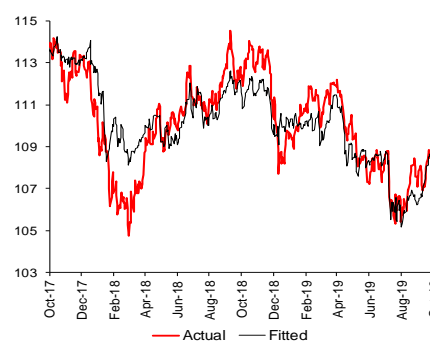
EUR-USD

Potentially topped. The failure to breach the 1.1100 level on the downside may keep the EUR-USD buoyant for now. Meanwhile, topside should be capped at 1.1180. Intraday, we do not rule out some implicit heaviness if European preliminary PMIs remain soggy or if the ECB tune up on the dovish rhetoric.



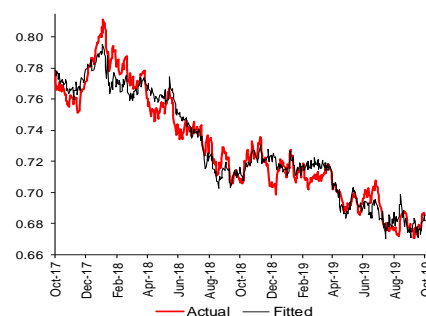
USD-JPY

Consolidation. With risk sentiment not boiling over for now, expect the USD-JPY to stay trapped within the 108.20 to 109.00 range. However, implicit positivity and easing expectations at the BOJ should keep the pair relatively supported for now.



AUD-USD

Buoyant. After the pricing out of RBA rate cut expectations put the AUD-USD at a higher plane, implicit positivity on the risk front should keep the pair supported for now. Nevertheless, 0.6880/00 is a firmer test that may hold without new progress on the geopolitical front. Expect the 0.6820 to support on the downside.



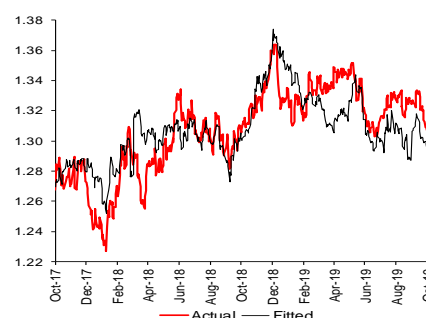
GBP-USD

Headline-driven. The GBP-USD turned higher as headlines that the EU is ready to accept the deadline extension request. In the interim, remain on a buy-on-dips stance, with immediate downside support at 1.2850, before a stronger base at 200-day MA (1.2716).



USD-CAD

Heavy. Despite an unexpected contraction in wholesale trade data, the USD-CAD retained a heavy stance on broad USD weakness. Looking ahead, the Bank of Canada decision comes into view. Expect the BOC's evaluation on the economy to sway the pair going forward.



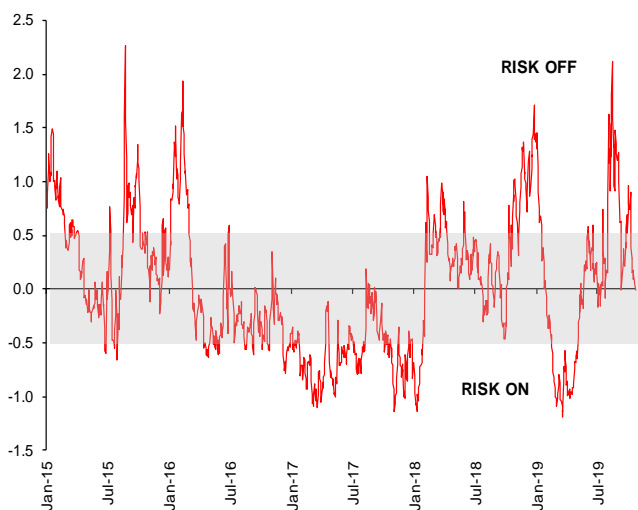
Daily Market Outlook

24 October 2019

Asian Markets

- USD-Asia:** North Asian currencies underperformed the South yesterday, but with the USD-CNH heavy, expect the North Asian currencies to see more support today. Overall, with the risk-on sentiment still prevailing and USD weakness seeping back in against EM FX, expect Asian currencies to still be on the front foot for now.
- On the Asian data front, Korean preliminary 3Q GDP turned in softer than expected on qoq basis, but in-line with estimates on the yoy gauge. **Bank Indonesia** is expected to pencil in another 25 bps rate cut later today, and possibly supplement it with soft rhetoric. We think these serve as reminders that the Asian macro outlook remains weighed down, even if it may not be dislocating lower.
- USD-SGD:** The USD-SGD retained a heavy tone yesterday, while keeping within a narrow range. For now, we still expect 1.3600 and 1.3650 to bookend the pair. The SGD NEER inched higher to +1.62% above its perceived parity (1.3836) this morning, with NEER-implied USD-SGD thresholds soggy. Notwithstanding some optimistic rhetoric from the MAS's Menon this morning, note that the Sep core inflation surprised on the downside.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1036	1.1100	1.1137	1.1179	1.1193
GBP-USD	1.2716	1.2900	1.2916	1.3000	1.3013
AUD-USD	0.6787	0.6800	0.6850	0.6883	0.6891
NZD-USD	0.6346	0.6400	0.6411	0.6429	0.6436
USD-CAD	1.3038	1.3069	1.3077	1.3100	1.3245
USD-JPY	107.41	108.00	108.61	108.94	109.00
USD-SGD	1.3600	1.3602	1.3619	1.3657	1.3700
EUR-SGD	1.5084	1.5100	1.5169	1.5200	1.5213
JPY-SGD	1.2513	1.2526	1.2541	1.2600	1.2838
GBP-SGD	1.7363	1.7500	1.7592	1.7600	1.7721
AUD-SGD	0.9253	0.9300	0.9329	0.9358	0.9368
Gold	1458.30	1470.06	1489.90	1500.00	1505.77
Silver	17.21	17.50	17.56	17.60	17.77
Crude	54.80	55.20	55.50	55.83	57.04

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Howie Lee

Thailand, Korea & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Dick Yu

Hong Kong & Macau

dicksnyu@ocbc.local

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).