

## Daily Market Outlook

24 September 2019

### Market Themes/Strategy

- The dollar **diverged** on Monday with the **EUR** undermined by softer than expected September EZ (and German) flash PMIs while the **antipodeans** continued to hold their ground against the USD. In contrast, the US September flash PMIs clocked mixed to better than expected readings with the Fed's Bullard also not excessively dovish in his comments.
- On other fronts, recent Brexit-related optimism continued to fade and dragged the **GBP-USD** lower while **USD-JPY** was pressured slightly lower by a whiff of market caution, softer US yields, and a NYT report that the US and Japan may fail to secure a trade deal this week.
- Elsewhere, global equities (including in EM) were mixed to softer, gold climbed but crude remained largely steady. Meanwhile, bund yields dipped on the dismal European data with the UST yields also soggy. Overall, the slight tinge of aversion was detectable, with the **FXSI (FX Sentiment Index)** ticking higher within the Risk-Neutral zone.
- Expect a degree of headline risks for the GBP, with the UK Supreme Court ruling on PM Johnson's suspension of Parliament scheduled. Elsewhere, watch also for German Ifo survey (0800 GMT), and appearances from ECB's Villeroy (0700 GMT) and de Guindos (1200, 1430 GMT), BOJ's Kuroda (0530 GMT) and RBA's Lowe (1005 GMT).
- **Heavy EUR-AUD, EUR-CNH.** In addition to a top heavy profile for the EUR-USD, Note some potential in the near term for a re-channeling away from the EUR in the near term towards the likes of the AUD and CNH.

#### Treasury Research

Tel: 6530-8384

Emmanuel Ng

+65 6530 4037

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

Terence Wu

+65 6530 4367

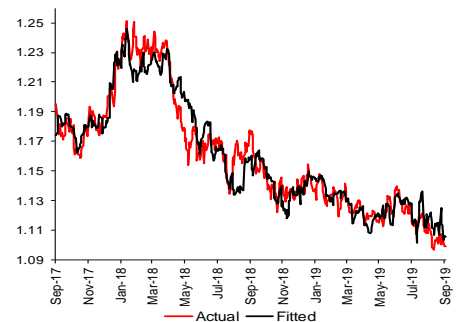
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

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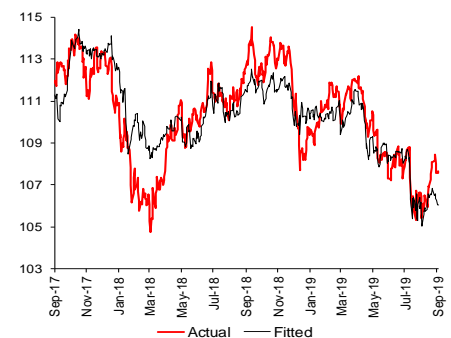
### EUR-USD

**Top heavy.** Weak German/Eurozone flash PMIs suppressed the EUR-USD on Monday. Note also that Draghi came out strongly against differing opinions within the ECB GC. We think this split might be viewed more negatively by the markets compared to the split within the FOMC. If the pair fails to regain the 1.1000 level quickly, lean towards further downward extension, with an initial target at 1.0950, before retesting the year-to-date lows at 109.20/30.



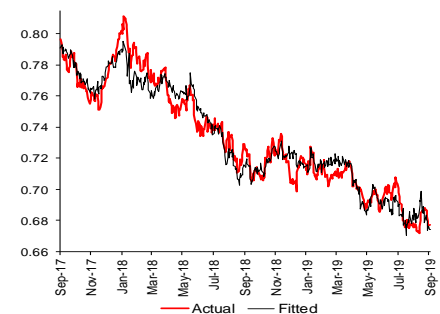
### USD-JPY

**Pause.** The USD-JPY remained in a heavy posture on Monday, staying around the 109.50 locus. With risk sentiments largely consolidating, this pair may have to look to rate differentials for guidance. Ongoing softening of the UST curve may add some negative pressure. Note also that short term implied valuations are also dipping south. Expect the 55-day MA (107.19) to attract in the interim, with bounces possibly capped at 107.80.



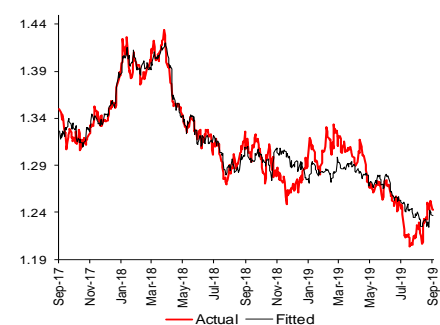
### AUD-USD

**Heavy tone.** Comments from RBA's Lowe today (1005 GMT) should set the tone for the AUD-USD in the coming sessions. Note also that a rate cut at the Oct RBA meeting is effectively fully priced in for now. We expect the pair to still face some gravity, with 0.6750 the first waypoint. Nevertheless, watch for some downside support if the markets continue to impute positives (however fragile) from the Sino-US trade front.



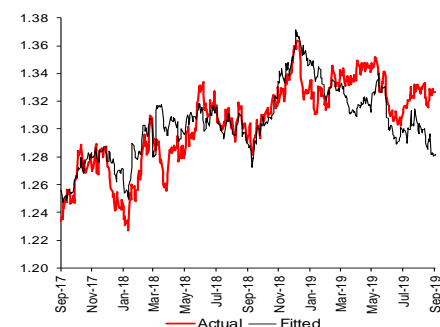
### GBP-USD

**Extend higher?** Further headline risks ahead for the GBP-USD, with the Supreme Court decision on PM Johnson's prorogation of Parliament scheduled today. At this juncture, further deterioration may negate the upside momentum for the pair.



### USD-CAD

**Flat to higher.** The USD-CAD remains hemmed in by the corridor set by the 100-day MA (1.3264) and 200-day MA (1.3306). With no first order data releases this week, watch the crude complex for cues on the USD-CAD going ahead.



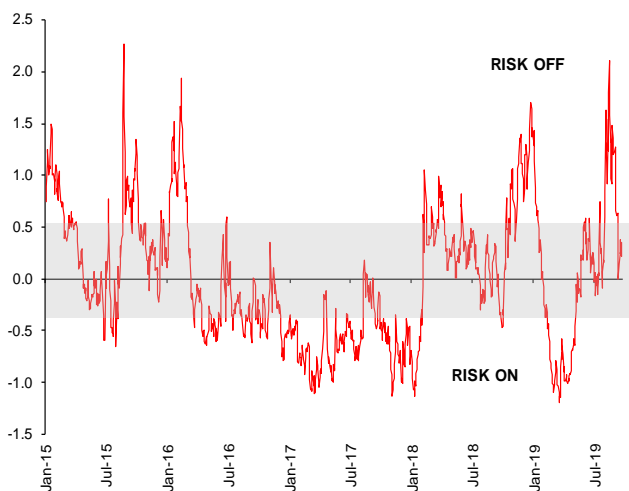
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### Asian Markets

- USD-Asia:** The USD-CNH held above the 7.1000 mark on Monday, and is hovering around the 7.1100 locus this morning, ahead of the China Economy Briefing. Pending developments from the briefing itself, we think the broad environment remains mixed for the Asian currencies, with markets unable to shake off Chinese/global growth concerns but trying to draw optimism from the Sino-US trade front. Expect USD-Asia to stay within recent ranges, pending resolution in the cross currents and better directional cues.
- Look for idiosyncratic drivers for individual pairs, with the **INR** being the standout performer and resisting the broad USD on the back of the latest corporate tax cut. Elsewhere, look for relatively stronger inflow momentum in Taiwan (equities) and Indonesia (bonds) to support the **TWD** and **IDR**.
- USD-SGD:** The USD-SGD may remain top heavy within the 1.3750 to 1.3790 range, despite the SGD NEER still trading in the stronger half of its fluctuation band and the latest August CPI readings yielding no surprises. The SGD NEER now stands at +1.06% above its perceived parity (1.3916), with NEER-implied USD-SGD thresholds marginally higher.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0926	1.0962	1.0993	1.1000	1.1093
<b>GBP-USD</b>	1.2275	1.2400	1.2438	1.2500	1.2582
<b>AUD-USD</b>	0.6698	0.6700	0.6774	0.6800	0.6829
<b>NZD-USD</b>	0.6253	0.6255	0.6297	0.6300	0.6446
<b>USD-CAD</b>	1.3200	1.3230	1.3261	1.3300	1.3306
<b>USD-JPY</b>	107.00	107.09	107.58	108.00	108.48
<b>USD-SGD</b>	1.3700	1.3720	1.3773	1.3789	1.3800
<b>EUR-SGD</b>	1.5100	1.5103	1.5140	1.5200	1.5306
<b>JPY-SGD</b>	1.2677	1.2800	1.2803	1.2879	1.2900
<b>GBP-SGD</b>	1.6926	1.7100	1.7131	1.7200	1.7294
<b>AUD-SGD</b>	0.9300	0.9308	0.9329	0.9400	0.9416
<b>Gold</b>	1486.32	1500.00	1520.30	1552.20	1559.80
<b>Silver</b>	18.00	18.50	18.60	19.07	19.54
<b>Crude</b>	56.41	58.40	58.43	58.50	60.99

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## Treasury Research & Strategy

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### Macro Research

**Selena Ling**

Head of Strategy & Research

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

**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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