

Daily Market Outlook

25 November 2019

Market Themes/Strategy – The Week Ahead

- The broad USD firmed on Friday, as market focus shifted back to relative macro outlook, after stronger than expected US preliminary PMIs contrasted with EZ/UK prints (manufacturing PMIs stayed deep in contraction zone, services PMIs missed expectations). Bund and gilt yields reacted lower, leading the EUR and GBP back towards their recent range lows.
- A slight risk-on tinge (global equities higher, UST yields holding firm) helped the cyclicals keep pace with the firming USD. On balance, the **FXSI (FX Sentiment Index)** stayed entrenched within the **Risk-On** zone.
- Based on **CFTC** data, the investment community remained mixed on the USD. Non-commercial accounts increased their net implied USD longs, and asset managers reduced their net implied USD shorts. However, leveraged accounts reduced their net implied USD longs. GBP shorts increased in the latest week after consecutive weeks of paring, suggesting some willingness to position against the GBP at levels near 1.3000. Meanwhile, JPY shorts were maintained, suggesting that underlying risk-on sentiment still has not shaken out too much by recent uncertainties on the Sino-US front.
- **What will the new week bring on the Sino-US front**, now that the Hong Kong local elections and the public hearings of the Trump impeachment inquiry are done? With uncertainties still swirling, it is probably still not the time to engage risk-on plays just yet. Moreover, front-end risk reversals still favouring lower **USD-JPY**, also starting to turn in favour of lower **AUD-USD**.
- **Sentiment on the broad USD may also have shifted after Friday's move higher**, and that may keep the **EUR** and **GBP** heavy towards their support levels (1.1000 and 1.2800 respectively). **Overall, we prefer to stay negative on the AUD-USD at the start of this week.**
- On the calendar today, watch for German IFO survey (0900 GMT), and comments from a host of ECB speakers (focusing on Lane at 1800 GMT), RBA's Debelle (2350 GMT) and Fed's Powell (0000 GMT).

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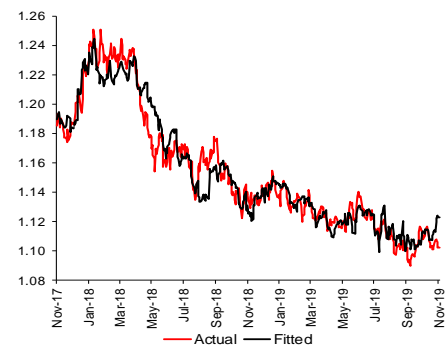
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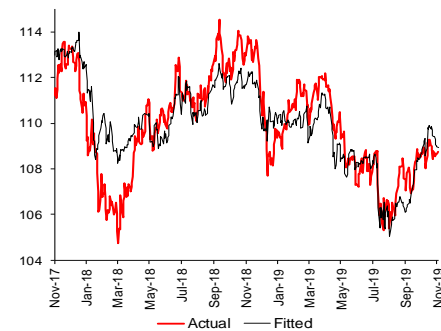
EUR-USD

Revert to heavy posture. After repeated failures to breach the 1.1080/00 resistance, upside momentum for the EUR-USD was broken on poor preliminary PMI prints. With front-end risk reversals also turning south, we do not rule out a move towards 1.1000 for now. Bounces should be limited to 1.1055.



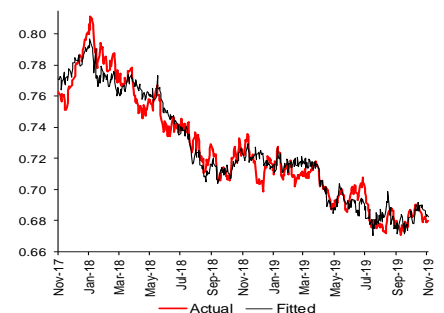
USD-JPY

Range. The 108.20 – 1.0900 range should continue to bound the USD-JPY for now, until we see clearer resolution on the Sino-US front. Although the pair has been somewhat supported in recent sessions, we do not rule out a slightly heavier posture on a multi-session horizon for now, especially with the short term implied valuations dipping south.



AUD-USD

Weighed down. Despite the slight risk-on on Friday, we continue to expect the 0.6860/70 support to be vulnerable for now. Nevertheless, stay vigilant on any turns in the Sino-US cues this week. Any reversion higher may see initial resistance at 0.6830.



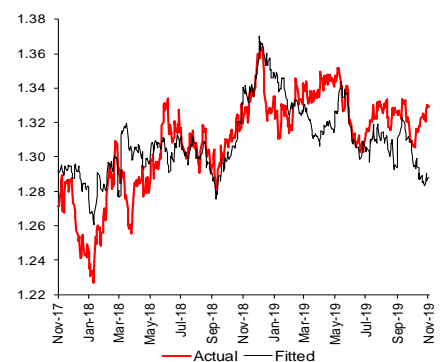
GBP-USD

Supported within range. The GBP-USD slumped towards the bottom of its recent 1.2800 – 1.3000 range on soft PMI prints on Friday. Although we still expect the 1.2800 base to be firm, any breach of that level should see stronger support at 1.2704.



USD-CAD

Consolidate. The failure to mount a stronger challenge on the 1.3350 mark may frustrate USD-CAD bulls for now, as we revert to familiar ranges south of 1.3300. Nevertheless, a broadly supported USD should keep the pair buoyant, with initial support at 1.3277.



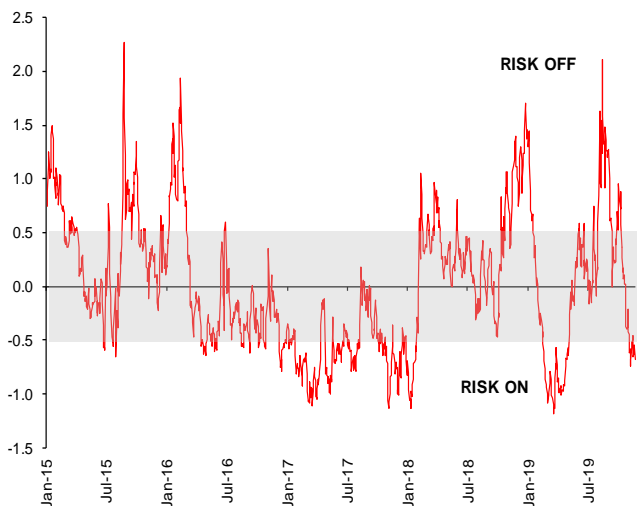
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Asian Markets

- **USD-Asia:** Spillover USD strength will flex against a slight risk-on sentiment from last week, leaving USD-Asia compressed on both sides. Expect the North Asian currencies to continue tracking the USD-CNH for now, while the South Asian currencies remain relatively less reactive.
- The **BOT's** Veerathai continue to allude to concerns over THB strength, with latest rhetoric harsher than usual. He also questioned the effectiveness of rate cuts in addressing the economic issues.
- On the **EPFR** front, implied inflows in Asia (ex JP, CN) moderated lower both on the bond and equity fronts, although the equities number remains at healthy levels. This is in line with some topping off of actual portfolio flows we have seen last week.
- **USD-SGD:** With the 1.3630/40 resistance breached on Friday, we expect the USD-SGD to target 1.3660/70 next, especially if we see no resolution on the Sino-US front. The SGD NEER started the week on a softer footing at +1.60% above parity (1.3858), with NEER-implied USD-SGD thresholds firmer. Expect CPI prints later today (0500 GMT) and industrial production tomorrow.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0989	1.1000	1.1025	1.1043	1.1100
GBP-USD	1.2789	1.2800	1.2854	1.2900	1.2971
AUD-USD	0.6724	0.6763	0.6798	0.6800	0.6809
NZD-USD	0.6348	0.6400	0.6426	0.6449	0.6466
USD-CAD	1.3217	1.3277	1.3292	1.3300	1.3328
USD-JPY	108.13	108.31	108.77	108.95	109.00
USD-SGD	1.3571	1.3600	1.3640	1.3648	1.3664
EUR-SGD	1.4973	1.5000	1.5038	1.5100	1.5114
JPY-SGD	1.2430	1.2500	1.2540	1.2546	1.2598
GBP-SGD	1.7400	1.7500	1.7533	1.7600	1.7657
AUD-SGD	0.9220	0.9229	0.9273	0.9300	0.9319
Gold	1440.83	1446.20	1460.70	1489.29	1500.00
Silver	16.62	16.90	16.92	17.00	17.54
Crude	57.44	57.80	57.86	57.90	58.74

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