

Daily Market Outlook

25 September 2019

Market Themes/Strategy

- Chatter about an impeachment against Trump dragged the USD lower across the board on Tuesday with the USD-JPY printing briefly below 107.00. On the macro front, note also weaker than expected Sep Conference Board consumer confidence and the Richmond Fed. In the **UK**, the Supreme Court ruled PM Johnson's suspension of Parliament as unlawful, lending support to the GBP. Parliament reconvenes on Wednesday.
- Global (and EM) equities tanked, USTs and bunds bull flattened, gold popped higher, and crude oil faded lower on Tuesday. Our **FXSI (FX Sentiment Index)** stepped higher towards the Risk-Off boundary, while still staying in the Risk-Off zone, in the latest reading, perhaps reflecting a more jittery geopolitical climate after the latest developments in Washington.
- The **RBNZ** held rates unchanged in its policy meeting this morning, while keeping the option of further rate cuts open in its November meeting. Note that the rhetoric remains cautious, and probably reflects a RBNZ that is in assessment mode, rather than one that is departing from a dovish stance.
- The calendar today includes a heavy line-up with ECB and Fed speakers. Watch in particular for comments from ECB's Coeure (1400 GMT) and Fed's Evans (1200 GMT).
- **It's not just the impeachment static.** In the near term, the **USD** may remain susceptible to **impeachment concerns** but broader risk aversion may well continue to muddy the dollar's broader directionality. Apart from global macro negativity, note that broader **Sino-US trade tensions** remain near the surface with Trump's isolationist address and diatribe against China at the UN.
- In the interim, **USD-JPY** may continue to be biased lower, either on the back of discretionary USD vulnerability and/or broader risk aversion. On a relative basis, we retain a heavy bias for the **EUR-CNH** and **EUR-AUD** with the PBOC still refraining from all out monetary accommodation.

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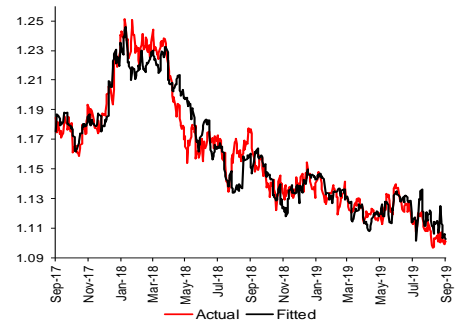
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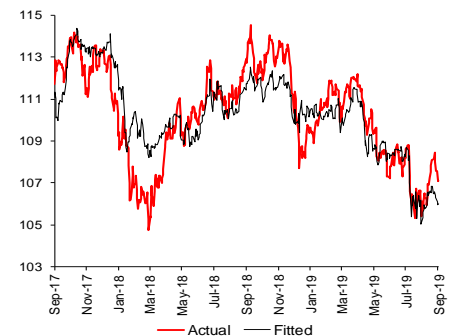
EUR-USD

Top heavy. A soft IFO Expectations print compounds the difficult macro narrative in Europe, but was not sufficient to take the EUR-USD lower. With the short term implied valuations still pointing south, we retain a downside bias for this pair. Nevertheless, watch if it can hold the ground north of 1.1000 on a sustained basis.



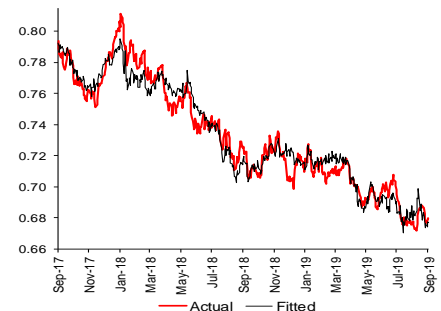
USD-JPY

Turning heavy. Despite Kuroda highlighting downside risks to inflation momentum, and signaling a greater desire to ease in upcoming policy meetings, the USD-JPY remained offered. With risk aversion looking to creep in again, expect further downside pressure, with the 107.00 being the interim support for now. Expect an extension to 106.70 if the 107.00 mark is broken. On the upside, 107.30 may cap for now.



AUD-USD

Heavy tone. Comments from RBA's Lowe were largely balanced, keeping the option of an October rate cut open, but did not feed expectations excessively. The AUD-USD caught a bid in response, with rate cut expectations pared slightly. Prefer to stay heavy on the pair, especially if Sino-US hopes fade ahead of their scheduled meeting. For now, expect downside support at 0.6760, and topside resistance at 0.6830.



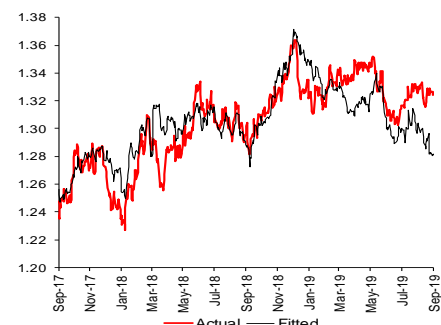
GBP-USD

Extend higher? UK Supreme Court ruled against PM Johnson's suspension of Parliament, and lifted the GBP-USD back near the 1.2500 handle. The next key date would be 19 Oct, when PM Johnson is compelled by legislation to ask for a Brexit delay if no deal is achieved. Expect the GBP-USD to stay buoyed in the interim, with short term implied valuations catching up to the recent upswing.



USD-CAD

Flat to higher. The USD-CAD slipped marginally, but still remained near the 100-day MA (1.3262) locus. With the USD complex threatened in the near term, a slide towards the 55-day MA (1.3217) cannot be ruled out in the interim.



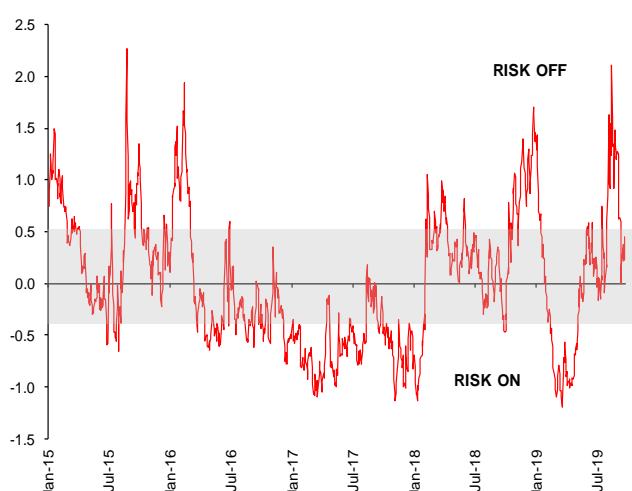
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Asian Markets

- **USD-Asia:** The USD-CNH continued to hold above 7.1000, probably imparting some inherent buoyancy for the rest of USD-Asia. For today, expect creeping risk aversion (note wobbly Asian equities early Wednesday) to impart further buoyancy for USD-Asia despite residual USD weakness from overnight.
- Latest comments from **PBOC's** Yi Gang suggests that China still has fiscal and monetary policy room, and will still smooth credit access for corporates. However, markets may be slightly disappointed as China is not expected to leave the taps wide open, with the PBOC also continuing to preach prudence with respect to monetary policy.
- **BOT** policy decision is scheduled today (0705 GMT). The scope for further cuts is definitely present, considering the soft macro outlook and strong THB. However, with policy room scarce, we think the BOT may not follow up with a second consecutive cut, but rather choose to save their (limited) bullets for now.
- **USD-SGD:** Barring widespread risk aversion, the USD-SGD may continue to be held back by the weak USD complex intra-day. We expect a tight range of 1.3740 to 1.3790 to still persist. On the SGD NEER front, we stand at +1.10% above its perceived parity (1.3915), with NEER-implied USD-SGD thresholds edging higher. **We have also published our October MAS MPS view, with the base case being a reduction in the rate of appreciation of the SGD NEER basket from an estimated +1.0% p.a. to +0.5% p.a., with no change in the width and centre of the band.** For details, refer to [FX Viewpoint – SGD NEER and October MAS MPS View](#).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0964	1.1000	1.1003	1.1086	1.1096
GBP-USD	1.2277	1.2400	1.2468	1.2500	1.2582
AUD-USD	0.6700	0.6709	0.6797	0.6800	0.6825
NZD-USD	0.6257	0.6300	0.6341	0.6400	0.6446
USD-CAD	1.3200	1.3233	1.3255	1.3300	1.3305
USD-JPY	107.00	107.06	107.30	108.00	108.48
USD-SGD	1.3700	1.3720	1.3762	1.3792	1.3800
EUR-SGD	1.5100	1.5112	1.5143	1.5200	1.5304
JPY-SGD	1.2677	1.2800	1.2827	1.2885	1.2900
GBP-SGD	1.6932	1.7100	1.7159	1.7200	1.7309
AUD-SGD	0.9300	0.9308	0.9355	0.9400	0.9413
Gold	1488.96	1500.00	1530.60	1551.86	1559.80
Silver	17.28	18.50	18.52	18.60	19.10
Crude	56.43	56.80	56.89	56.90	60.87

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