

Daily Market Outlook

26 November 2019

Market Themes/Strategy

- The USD saw a mixed performance at the start of the week. JPY underperformed on positive headlines out of China (“moving closer to agreeing” to Phase 1), but the AUD stayed heavy as investors focused on shifting RBA expectations ahead of key RBA comments.
- The GBP outperformed, effectively bouncing off the 1.2800 base towards the middle of the 1.2800 – 1.3000 range. Notwithstanding the weak preliminary PMIs last week, the near term fortunes for the GBP will be dependent on the election outcome and its implications on Brexit. Polls showing the Tories in a comfortable lead should keep the GBP supported within the 1.2800 – 1.3000 range. The chance of breaking through the 1.3000 ceiling will be higher closer to the election date, especially if the Tories continue to lead comfortably.
- Down under, comments by RBA’s Debelle early Tuesday showing a concern over the lack of wage growth did not do much to shift the rate cut expectations. Attention shifts to RBA Governor Lowe’s speech later (0905 GMT) on unconventional monetary policy.
- Risk-on overtones continue to persist for now, not least because of positive headlines out of China, but also from US equities closing at new highs. However, core yield curves were mixed, with UST curve actually slightly softer on the day. Overall, the **FXSI (FX Sentiment Index)** moved deeper into the **Risk-On** zone.
- Stay negative on the AUD-USD for now on RBA cues, but we are cognizant that it is hovering near the 0.6760 support, and the failure to breach this level may compel a reversal of our view on the AUD. Elsewhere, given the shift in sentiment over the broad USD, we continue to back the USD against the EUR.

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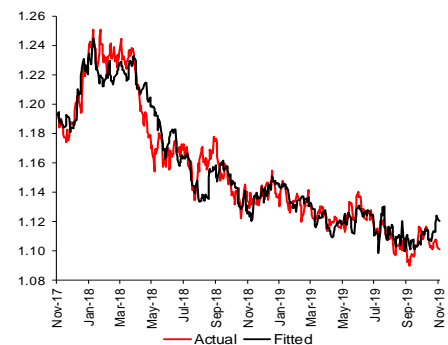
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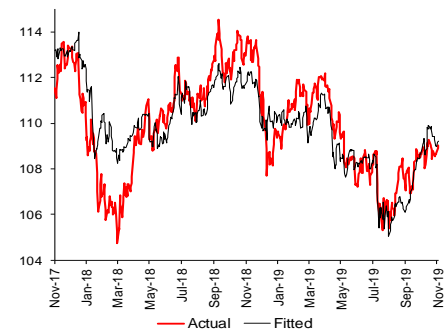
EUR-USD

Revert to heavy posture. ECB's Lane signalled that the ECB will remain active in terms of asset purchases, underlying the lack of economic impetus in the Eurozone. The resilient USD may be best reflected as a lower EUR-USD for now. Expect 1.1000 to attract for now, with near term bounces capped at 1.1040.



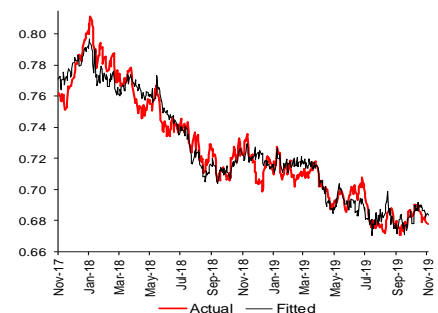
USD-JPY

Range. The USD-JPY is testing the top end of the recent 108.20 – 1.0900 range, on the back of positive Sino-US headlines and a firmer USD. Stronger directionality may result if the pair can materially clear the 109.00/20 zone.



AUD-USD

Weighed down. Domestic RBA expectations kept the AUD-USD heavy, even as the risk sentiment turned positive this week. The 0.6760/70 support remains in sight, and a breach may open the path to 0.6720. However, another failure at that support may compel us to reverse our view on this pair in the interim.



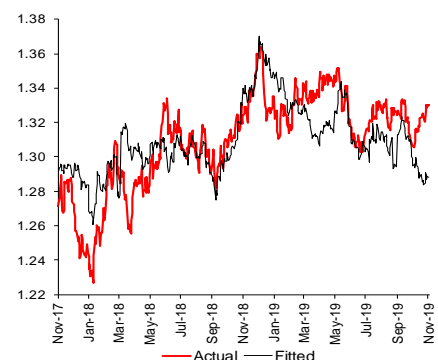
GBP-USD

Supported within range. Ongoing polls showing a Tory majority keeps the GBP-USD supported within the 1.2800 – 1.3000 range. Continue to expect the base to hold out for now, unless the Tories lose their grip.



USD-CAD

Consolidate. The USD-CAD hovered on either side of the 1.3300 mark for now, although the resilient USD should keep the pair broadly supported. Near term cap at 1.3330 for now, while support enters at 1.3278.



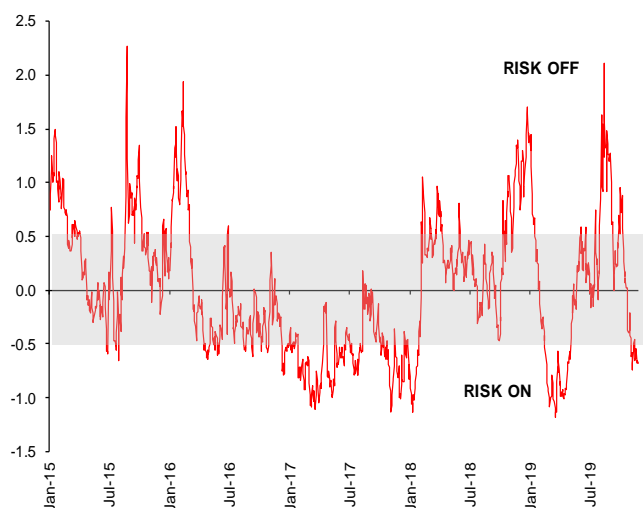
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Asian Markets

- **USD-Asia:** The USD-CNH eased lower the positive Sino-US headline, but the fact that it is supported closer to 7.0500 than 7.0000 makes us skeptical about whether there has been actual progress. Nevertheless, expect the USD-Asia, especially USD-KRW, to grab onto any positives to head lower for now.
- In terms of **actual portfolio flows** into Asia, note that inflow momentum has been moderating in all tracked economies, with the exception of India (supported by equity inflows). Net inflows into South Korea have effectively evaporated, now standing near neutral, while Taiwan equity and Indonesia bond inflows have pulled back from elevated levels.
- **USD-SGD:** Expect the USD-SGD to stay relatively buoyant for now, even as the rest of USD-Asia attempts to search lower. We do not rule out another attempt at 1.3670, but there should be limited traction beyond that for now. The SGD NEER is effectively static at +1.60% above parity (1.3867), with NEER-implied USD-SGD thresholds edging higher. Oct headline and core CPI prints (0.4% and 0.6% vs mkt: 0.5% and 0.7% respectively) were softer than expected. Industrial production prints expected later today (0500 GMT).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0989	1.1000	1.1011	1.1041	1.1100
GBP-USD	1.2794	1.2900	1.2902	1.2975	1.3000
AUD-USD	0.6724	0.6751	0.6778	0.6800	0.6807
NZD-USD	0.6349	0.6400	0.6419	0.6450	0.6466
USD-CAD	1.3278	1.3300	1.3306	1.3328	1.3336
USD-JPY	108.94	109.00	109.05	109.43	109.49
USD-SGD	1.3568	1.3600	1.3648	1.3654	1.3664
EUR-SGD	1.4973	1.5000	1.5027	1.5100	1.5110
JPY-SGD	1.2431	1.2500	1.2515	1.2547	1.2598
GBP-SGD	1.7399	1.7600	1.7608	1.7673	1.7700
AUD-SGD	0.9209	0.9229	0.9250	0.9300	0.9315
Gold	1437.41	1446.20	1453.20	1488.14	1500.00
Silver	16.62	16.80	16.83	16.90	17.51
Crude	57.47	58.00	58.04	58.10	58.74

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