

Daily Market Outlook

26 September 2019

Market Themes/Strategy

- **Reflux.** The greenback climbed against the majors on Wednesday with month/quarter end flows and investors likely unwinding Tuesday's reaction to the Trump impeachment news flow. On a related note, the NY Fed said it would increase the size of its repo operations on Thursday.
- Elsewhere, the **GBP** underperformed as Brexit uncertainty rebooted with PM Johnson increasingly vitriolic and defiant despite the recent Supreme Court ruling. Another report indicated that EU officials had found the latest UK proposals unsatisfactory.
- UST (and bund) yields were firmer (note less than dovish comments from the Fed's Evans and Kaplan) together with US equities while gold relapsed sharply lower (note Trump stating that a trade deal with China could happen sooner than expected) and crude consolidated lower. EM equity mood also improved into late NY, erasing the negativity during the Asian session. Nonetheless, the **FXSI (FX Sentiment Index)** ticked higher in Risk-Neutral territory.
- **Watch Fed-speak today!** The calendar today includes a crowded Fed appearance schedule with Kaplan at 1330 GMT, Clarida and Daly at 1545 GMT, Kashkari at 1800 GMT, and Barkin at 2030 GMT. On the EZ front, the **ECB's Draghi** is also due at 1330 GMT while the BOE's Cunliffe is at 1345 GMT.
- **With negativity towards a potential Trump impeachment fading, USD supremacy may persist in the Asian/European sessions and any perceived improvement in Sino-US trade headlines may not yield intrinsic support for the AUD just yet. In the interim, we remain proponents of a heavy EUR profile, either via the USD or the CNH.**

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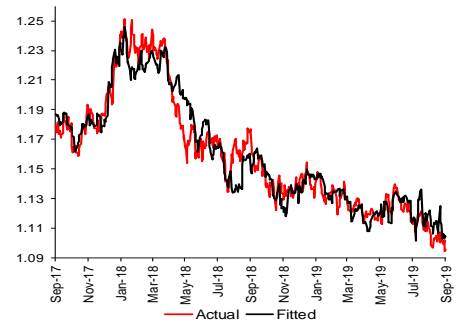
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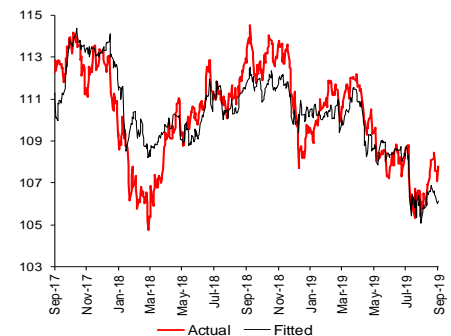
EUR-USD

Top heavy. The EUR-USD succumbed to gravity on the back of USD resurgence, putting it within sight of year-to-date lows. Our stance remains unchanged for this pair, with eyes now set further south on the year-to-date low (109.26), and then the 109.00 mark, which should see some firm support for now. Expect bounces to be limited to 1.1000.



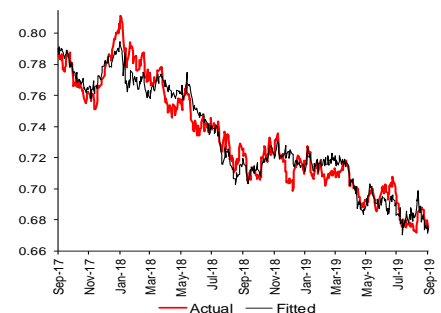
USD-JPY

Consolidate. Overall risk sentiments were given a positive jolt, allowing the USD-JPY to bounce higher off the 107.00 handle. Expect the pair to be reactive to gyrations in Sino-US trade situation. On the downside, the 107.00 support looks firm, may need new catalysts for it to be broken.



AUD-USD

Heavy tone. Retain a heavy posture for the AUD-USD, noting that the recent bounce back towards 0.6800 saw no follow through. With no domestic data forthcoming, expect the pair to take cues from the broad USD instead. Overall, continue to expect a choppy grind lower towards the 0.6700 in the interim, with bounces potentially topping off at 0.6780/00.



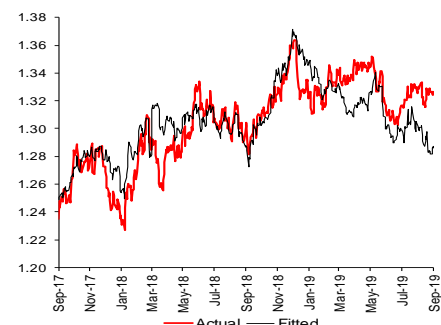
GBP-USD

Potential pause. With the Parliament back in sitting, expect further internal political dog-fighting. Investors may instead want to track the EU's posture for more credible Brexit cues. In the interim, expect any further deterioration in the pair meet better support at the 55-day MA (1.2291).



USD-CAD

Flat to higher. With the crude complex normalizing, we move back to a slight preference for a higher USD-CAD, especially after USD weakness was arrested relatively quickly. Expect the pair to populate the tight range between the 55-day MA (1.3221) and the 200-day MA (1.3303).



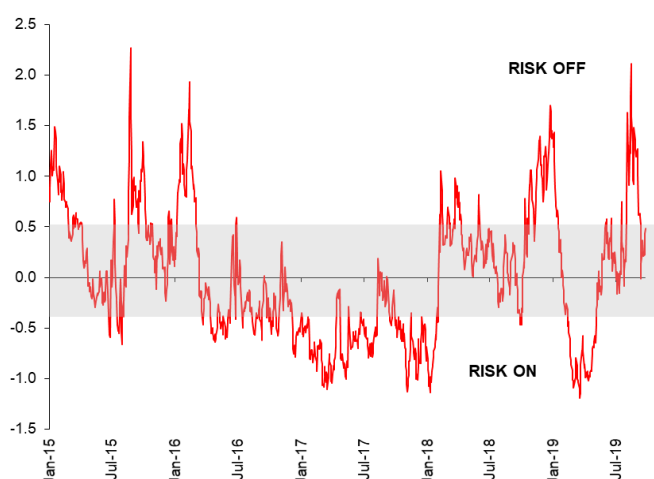
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Asian Markets

- **USD-Asia:** USD-CNH surfaced briefly above 7.1300 in tandem with the firmer dollar complex on Wednesday and it remains to be seen if better US-Sino trade optimism will translate adequately into optimism and positivity for regional currencies.
- **Asian central bank postures** are expected to remain accommodative with **China's overnight repo rate** continuing to soften. Despite the **Bank of Thailand** keeping its benchmark rate at 1.50% as widely expected on Wednesday, the central bank portended further measures to combat THB strength, with markets continuing to lean towards a further cut ahead. For today, as already widely telegraphed, the **BSP** is widely expected to ease monetary policy further today.
- On the net portfolio flow front, the **KRW and TWD** may remain relatively more well equipped multi-session to withstand USD overtures given implicit net inflow balances. The **IDR** meanwhile may be hampered slightly by the recent moderation in net bond inflows.
- **USD-SGD:** USD-SGD also lifted higher on Wednesday in sympathy with the strong dollar cues and the pair may remain somewhat supported in the current session. However, 1.3800 may continue to cap pending further external cues and with NEER-implied USD-SGD thresholds firmer on the day. The basket however is yet firmer at +1.18% above its perceived parity, limiting downside dips in the pair.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0926	1.0944	1.0960	1.1000	1.1088
GBP-USD	1.2271	1.2300	1.2376	1.2400	1.2582
AUD-USD	0.6700	0.6709	0.6756	0.6800	0.6818
NZD-USD	0.6246	0.6255	0.6296	0.6300	0.6443
USD-CAD	1.3200	1.3238	1.3255	1.3300	1.3303
USD-JPY	107.00	107.08	107.67	108.00	108.48
USD-SGD	1.3700	1.3720	1.3786	1.3797	1.3800
EUR-SGD	1.5095	1.5100	1.5109	1.5200	1.5299
JPY-SGD	1.2677	1.2800	1.2803	1.2887	1.2900
GBP-SGD	1.6930	1.7000	1.7061	1.7100	1.7304
AUD-SGD	0.9296	0.9300	0.9314	0.9400	0.9406
Gold	1490.13	1500.00	1507.50	1547.28	1559.80
Silver	17.33	17.90	17.96	18.00	19.09
Crude	56.45	56.50	56.52	56.60	60.86

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