

## Daily Market Outlook

27 August 2019

### Market Themes/Strategy

- With trade tensions (calmer comments from both the US and China) alleviating slightly, the USD gained against the EUR (note also the disappointing German Aug Ifo) and GBP while the JPY and CHF also relinquished most of their previous session's gains. Meanwhile, the AUD also strengthened as investor sentiment improved. Beyond the headlines, US July durable goods orders were essentially soft.
- As risk appetite improved, US equities (and UST, bund yields) bounced and the **FX Sentiment Index (FXSI)** eased slightly, although the Index remained in **Risk-Off** territory. Note however that short-end FX vols as well as EM risk premiums remain elevated and investors are likely to stay jittery.
- Nonetheless, global market sentiment may remain on a slightly steadier footing intra-day amid prospects of impending Sino-US trade talks and with Trump also dialing down tariff threats with respect to the EU and Japan.
- Multi-session, expect **cyclical/growth currencies** to remain under implicit pressure given little expectation of a watershed trade deal. The **EUR** meanwhile remains hobbled by soft data feed and dovish expectations being attached to the ECB.

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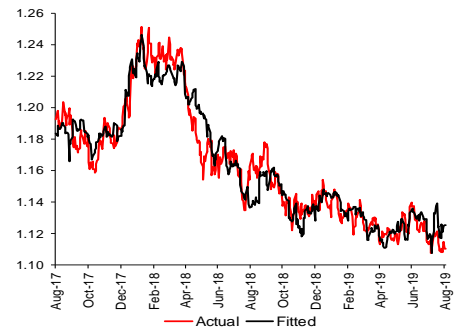
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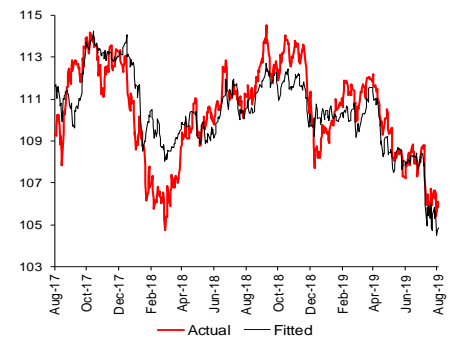
### EUR-USD

**Back to heavy tone.** The EUR-USD was taken lower yesterday on the back of softer-than-expected German Ifo results, and may see further downside pressure on German 2Q GDP prints today. Notwithstanding a slight uptick in short term implied valuation, expect the pair to be inherently heavy, and for that posture to prevail if trade tensions tone down. Stay heavy within the 1.1050 and 1.1150 range for now.



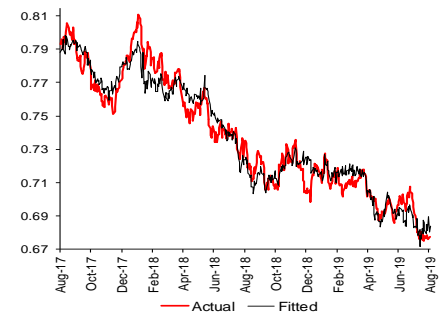
### USD-JPY

**Slippery slope.** Slightly steadier footing for the USD-JPY yesterday, but the inability to hold above 106.00 highlights ongoing market unease. Short term implied valuation for the pair is still heavy as well. Expect the pair to be beholden to risk appetite gyrations, with 106.50 capping at the topside, and 105.50 below.



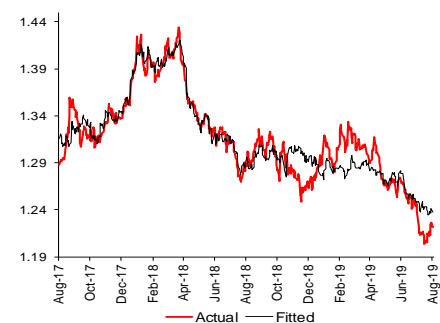
### AUD-USD

**Heavy within range.** Continue to expect implicit downside pressure for the AUD-USD, with risk sentiments still jittery, despite short term implied valuations edging north. Expect the pair to trade heavy within the 0.6700-0.6820 range for now.



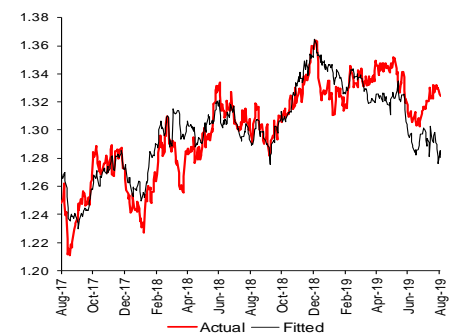
### GBP-USD

**Choppy trade.** The GBP-USD eased off after a brief test of the 1.2300 level, and is expected to retain a heavy tone for now. Despite the recent recovery, the pair remains within a downtrend channel for now. PM Johnson's new approach in dealing with fellow leaders (which appears to be sitting well) may perhaps put off explicitly negative Brexit headlines till later.



### USD-CAD

**Range.** With a break of the 1.3250 support, there may be room for the USD-CAD to search lower. Expect the 55-day MA (1.3193) to attract for now, while a further extension lower to close the gap with its short term implied valuation cannot be ruled out for now.



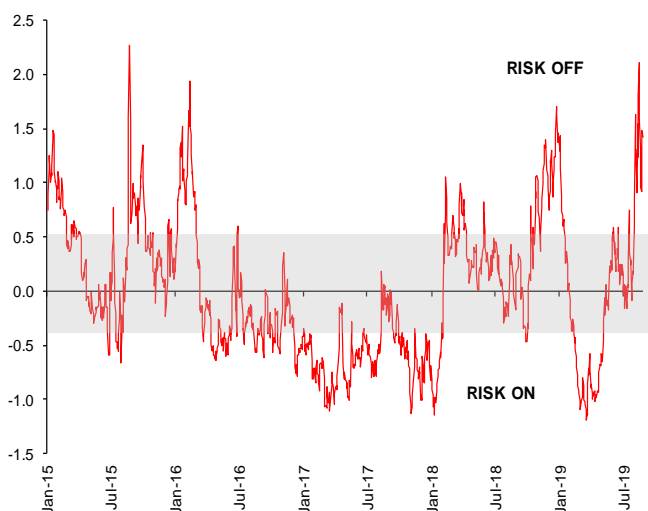
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### Asian Markets

- USD-Asia:** After opening at a high in Asia and printing at a historical high of 7.1858, the **USD-CNH** stabilized in the course of the day but still settled above 7.1600. Overall, beyond the near term dip this morning in Asia, USD-Asia may retain a buoyant posture even as trade tensions alleviate somewhat.
- On the portfolio flow front,** net bond inflows remain on a climb in positive territory but deepening net equity outflows have been dragging the **KRW** lower. Elsewhere, net equity outflows have continued to deepen for **Taiwan**. In the south, net bond/equity outflows for **Indonesia** are attempting to bottom out. Elsewhere, the Philippines and Malaysia have continued to print deepening net equity outflows. For Thailand, net equity outflows have continued to slump while net bond outflows have been attempting to compress. Lastly, in India, we are witnessing a bounce higher in net bond inflows while net equity outflows have also been attempting to stage turnaround.
- USD-SGD: Upside bias.** The USD-SGD appears contained around the 1.3880 locus for now, with the 1.3900 forming a cap for now. The SGD NEER recovered to +0.50% above parity (1.3951) this morning, with NEER-implied thresholds turning higher again. At this juncture, the SGD NEER is being propped up by the CNY and INR depreciation.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1035	1.1100	1.1105	1.1200	1.1205
GBP-USD	1.2022	1.2200	1.2216	1.2266	1.2300
AUD-USD	0.6700	0.6731	0.6766	0.6800	0.6823
NZD-USD	0.6340	0.6342	0.6381	0.6400	0.6569
USD-CAD	1.3175	1.3200	1.3241	1.3300	1.3312
USD-JPY	104.88	105.00	105.73	106.00	107.37
USD-SGD	1.3760	1.3800	1.3886	1.3900	1.3922
EUR-SGD	1.5383	1.5400	1.5420	1.5500	1.5582
JPY-SGD	1.2778	1.3100	1.3133	1.3200	1.3257
GBP-SGD	1.6900	1.6949	1.6963	1.7000	1.7002
AUD-SGD	0.9300	0.9339	0.9395	0.9400	0.9422
Gold	1438.83	1500.00	1526.30	1543.30	1554.35
Silver	16.14	17.60	17.64	17.70	17.76
Crude	51.68	53.90	53.99	54.00	56.11

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