

Daily Market Outlook

28 November 2019

Market Themes/Strategy

- Except against the GBP, the USD continued to climb across G10 space on Wednesday after stronger than expected US October durable goods numbers (note also firmer UST yields) and the final reading of US 3Q GDP.
- Late Wednesday/early Thursday, the GBP-USD blipped higher after the YouGov poll indicated that the Conservatives would be expected to garner a significant majority at the 12 December 2019 polls. Expect investors to continue to trade around ensuing headlines for the pound.
- Early in Asia on Thursday however, the AUD tripped (and the JPY gained) after Trump signed off on the Congress-backed Hong Kong bill, with investors now keyed into China's subsequent response.
- Positive global equities (including in EM) and US data points saw the **FXSI (FX Sentiment Index)** inching deeper into Risk-On territory on Wednesday. **However, expect some risk appetite consolidation intra-day today as markets attempt to digest the HK bill headlines.**
- With US markets away for **Thanksgiving**, look instead towards any guidance from the **ECB**, with scheduled appearances from Villeroy (0330 GMT), Hernandez (1530 GMT), Coeure (1635 GMT), and Lane (2000 GMT).
- **Expect FX space to continue to trade on disparate trajectories although the end result of USD resilience may look similar. While central bank relativity will continue to weigh on the EUR-USD, the wobble to sentiment from the HK bill will continue to impair the likes of the AUD-USD (undermined further by rate cut expectations as well as disappointing 3Q private capital expenditure numbers this morning) while also putting a near term lid on the USD-JPY.**

Treasury Research

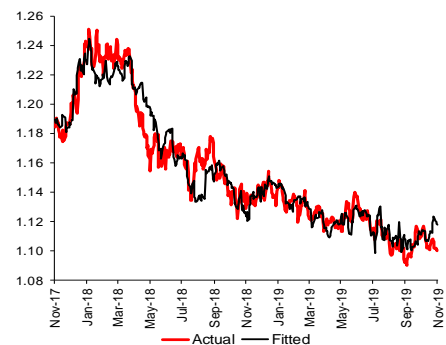
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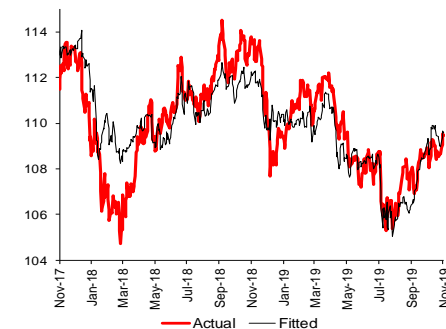
EUR-USD

Revert to heavy posture. Short term implied valuations are finally reverting lower and any sustained break of 1.1000 targets 1.0964. Look towards ECB-speak later today for concrete cues.



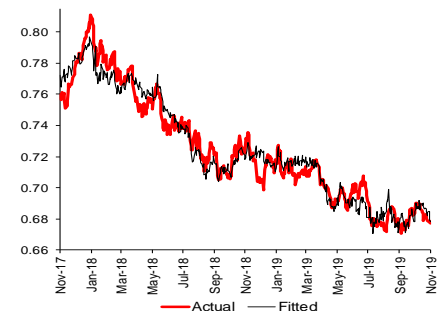
USD-JPY

Supported. Directionality in the USD-JPY may be slightly diluted at this juncture but barring an acute negative reaction to the HK bill news flow, dips in the pair may prove shallow. Bounce dips within 109.20-109.65.



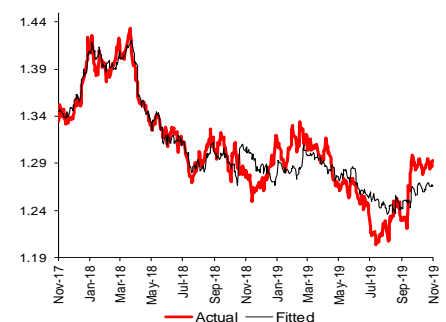
AUD-USD

Weighed down. As noted above, we see less ambiguity for the AUD-USD with current risks now skewed towards 0.6740/50. Notably, short term implied valuations are have also stepped lower.



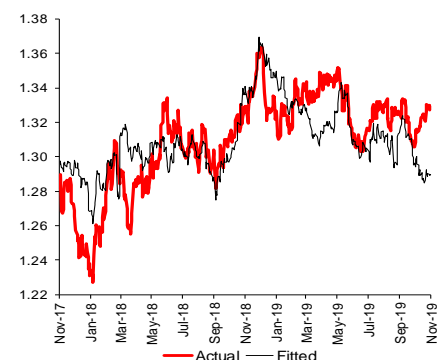
GBP-USD

Supported within range. GBP-USD may continue to ply a supported range within 1.2800-1.3000 according to the ebb and flow of Brexit/election headlines. Overshooting behavior may also continue to persist.



USD-CAD

Consolidate. Near term view remains unaltered and USD-CAD may not wander too far from its 200-day MA (1.3278). On balance, odds may remain tilted slightly to the upside despite the pair still slightly overcooked on the upside relative to its short term implied valuations. Implicit support is also expected in the vicinity of 1.3250.



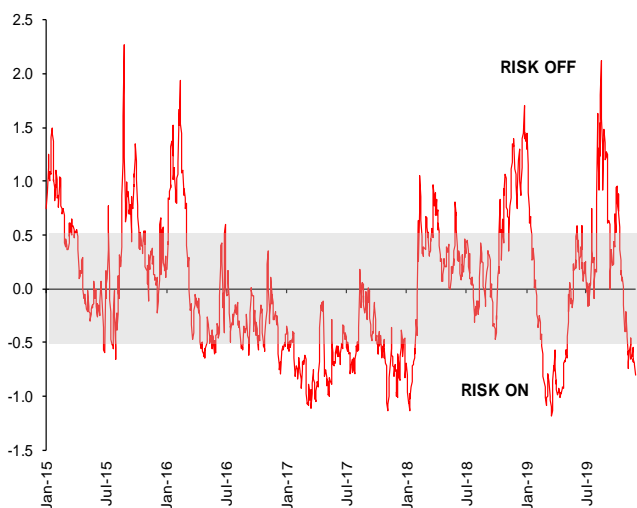
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Asian Markets

- USD-Asia: USD-CNH** found good support on the downside (note soft October industrial profits) on Wednesday and has bounced higher again in early trade on Thursday in the wake of the Trump/HK bill static. Again, expect USD-Asia (note also soft Latam FX overnight) to find a solid floor on downside probes for today. Asian govie yields meanwhile may also continue to consolidate multi-session in line with US Treasuries and CGBs.
- Less than supportive flows in Asia.** On the **net portfolio flow** front, net flows have slipped into outflow territory for South Korea while net inflows for Taiwan continue to capitulate lower. In the south, only India is underpinned but sustained strong inflow momentum, while net flows for Indonesia have fallen to neutral levels. Elsewhere, Thailand is still sitting on a small net outflow situation, while the Philippines and Malaysia are experiencing deepening outflows.
- USD-SGD:** With USD-SGD climbing, the SGD NEER is slightly softer at +1.50% above its perceived parity (1.3864) with NEER-implied USD-SGD thresholds static from yesterday. In the current environment, expect USD-SGD to challenge the 200-day MA (1.3666) for 1.3680, with support expected on dips towards 1.3640.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0989	1.1000	1.1006	1.1040	1.1100
GBP-USD	1.2793	1.2900	1.2929	1.2973	1.3000
AUD-USD	0.6740	0.6759	0.6766	0.6800	0.6806
NZD-USD	0.6353	0.6400	0.6424	0.6456	0.6466
USD-CAD	1.3219	1.3278	1.3287	1.3300	1.3328
USD-JPY	108.93	109.00	109.47	109.57	109.61
USD-SGD	1.3565	1.3600	1.3662	1.3665	1.3666
EUR-SGD	1.4973	1.5000	1.5037	1.5100	1.5103
JPY-SGD	1.2400	1.2428	1.2480	1.2500	1.2550
GBP-SGD	1.7392	1.7600	1.7663	1.7688	1.7700
AUD-SGD	0.9204	0.9229	0.9244	0.9300	0.9310
Gold	1437.54	1446.20	1454.80	1486.27	1500.00
Silver	16.62	16.90	16.94	17.00	17.48
Crude	57.51	57.80	57.87	57.90	58.74

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