

Daily Market Outlook

29 August 2019

Market Themes/Strategy

- With little in the way of headline drivers, the USD edged mildly higher across the board on Wednesday as global growth worries continued to circulate in the background. Elsewhere, despite the US Trade Representative's Office reaffirming the President's plans for additional tariffs in September and December, USD-JPY climbed above 106.00. The Fed's Barkin also came across as less than dovish.
- GBP underperformed all its peers as the Queen rubber stamped the suspension of the House of Commons from mid-September – heightening risks of a 'no-deal' ejection of Britain. Meanwhile, EUR-USD also softened despite news that the Italian opposition Democratic Party and the 5-Star Movement would form a coalition, averting a snap election.
- UST (and bund) yields slipped even as US (and EM) equities posted gains and gold stabilized. Overall, the **FX Sentiment Index (FXSI)** quietly inched higher (i.e., risk appetite deterioration) within **Risk-Off** territory. **As we cautioned previously, EM risk premiums remain elevated.**
- On the calendar today, watch for inflation prints across Europe (starting 0700 GMT), US 2Q GDP and personal consumption (1230 GMT) data.
- The US Treasury Secretary noted that face-to-face **Sino-US trade talks** are still in the pipeline and expect investors to continue to remain jittery on this front. Meanwhile, Mnuchin also indicated that the US has "no intention" to intervene in currency markets. On our end, **unilateral currency intervention by the US** will likely not garner much traction without buy-in from the other global banks like the BOJ and ECB. **Given the increasing isolationist posture of the current US administration (and the deterioration of the global economic landscape), we think that it would be unlikely that the likes of the ECB and BOJ would be complicit in artificially driving down the broad dollar.**
- **Our near term view remains unchanged the dollar may retain a de facto bid as the majors remain hobbled by respective negatives and generalized global macro negativity.**

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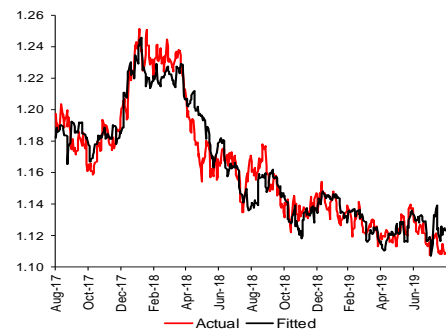
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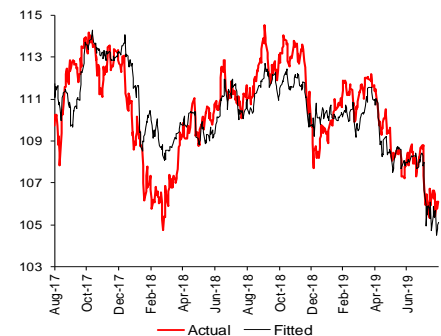
EUR-USD

Heavy tone. Despite some alleviation of Italian political concerns and static short term implied valuation, dovish ECB expectations continued to prevail, applying negative pressure on the EUR-USD. The first waypoint down south is at 1.1060, before 1.1000. Bounces should be capped at 1.1120.



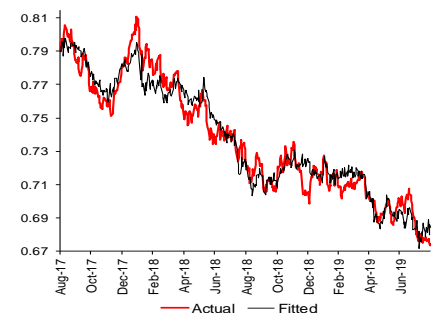
USD-JPY

Slippery slope. Further consolidation in the risk environment kept the USD-JPY supported, but it may be too early let down our guard on the risk front. Note also that the short term implied valuation remain firmly pointed south. We prefer to sell on rallies to 106.20.



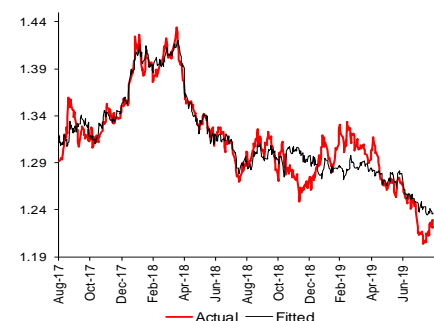
AUD-USD

Heavy within range. Weaker-than-expected data releases pile on the pressure on the AUD-USD, ahead of the RBA meeting next week. Expect the pair to ease to the bottom end of the 6700-0.6820 range.



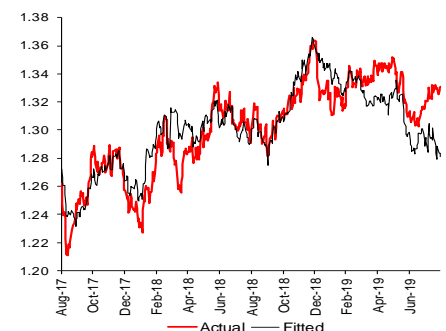
GBP-USD

Choppy trade. The GBP-USD dipped lower as news of the suspension of the UK Parliament between 9 Sep and 14 Oct filtered through. While the short term implied valuation point decidedly south, expect the pair to remain volatile on the Brexit developments for now.



USD-CAD

Range. The USD-CAD drifted back to the top half of the recent 1.3250 - 1.3350 range, as dovish expectations for next week's Bank of Canada meeting builds up. Expect the pair to stay contained within range pending further directionality.



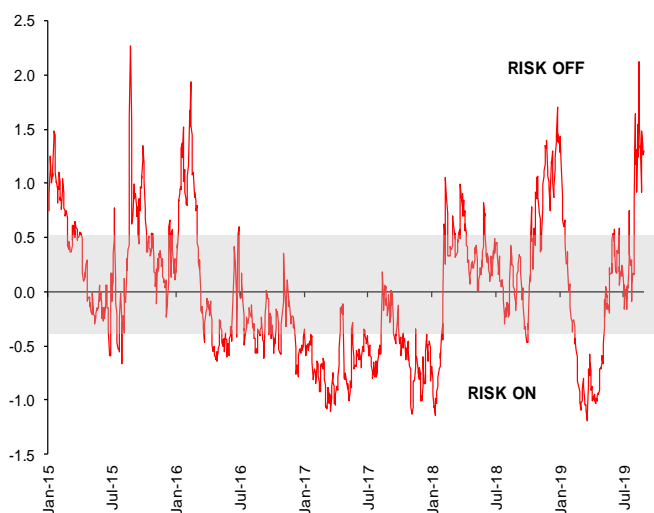
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Asian Markets

- USD-Asia:** Expect underlying caution to prevail in the markets despite markets being slightly becalmed on Wednesday as investors hunted for headlines. Note however, that despite repeated attempts by the PBOC to contain the USD-CNY through markedly stronger-than-expected mid-point fixes, the USD-CNY (and USD-CNH) remains buoyant at current levels.
- Seeking aid from all fronts.** On the policy front in Asia, with the limited efficacy (and scope) of further monetary accommodation in question (especially with near term portfolio inflows vacating), we continue to expect exchange rate to increasingly shoulder the burden. Beyond this, expect the **fiscal lever** to be increasingly called upon by regional authorities (latest signals from India, Indonesia, and Thailand).
- Net portfolio outflows.** Meanwhile, the **net portfolio flow environment remains less than encouraging in Asia**, with net outflows remaining a staple at this juncture. Even recent net bond inflows for South Korea may be saturating in the near term, with the only other bright spot being a mild improvement in **net bond inflows for India**.
- USD-SGD: Upside bias.** The USD-SGD remains capped below the 1.3900 mark for now. Remain on a buy-on-dips stance for now. The SGD NEER firmed again to +0.60% above parity (1.3967) this morning, with NEER-implied thresholds stepping higher on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1027	1.1033	1.1083	1.1100	1.1198
GBP-USD	1.2016	1.2200	1.2207	1.2293	1.2300
AUD-USD	0.6700	0.6727	0.6731	0.6800	0.6807
NZD-USD	0.6310	0.6315	0.6321	0.6400	0.6547
USD-CAD	1.3300	1.3313	1.3315	1.3346	1.3354
USD-JPY	105.00	105.35	105.89	106.00	106.92
USD-SGD	1.3792	1.3800	1.3889	1.3900	1.3917
EUR-SGD	1.5345	1.5381	1.5393	1.5400	1.5557
JPY-SGD	1.2919	1.3100	1.3117	1.3191	1.3200
GBP-SGD	1.6900	1.6940	1.6955	1.7000	1.7057
AUD-SGD	0.9300	0.9334	0.9349	0.9400	0.9418
Gold	1500.00	1520.00	1546.00	1554.74	1600.00
Silver	18.30	18.31	18.36	18.40	18.48
Crude	52.16	55.50	55.58	55.60	56.08

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