

Daily Market Outlook

29 October 2019

Market Themes/Strategy

- **Accumulation of positives for risk appetite.** The dollar faded against some of the majors with the JPY underperforming across the board as risk appetite picked up on Sino-US headlines.
- On this front, optimism towards **Sino-US** trade relations strengthened after Trump notes that a partial trade deal (“Phase One”) could be signed ahead of schedule.
- Meanwhile, the GBP was also bolstered after the EU agreed to a potential (pending any official objection from any EU member by Tuesday) 3-month delay for **Brexit till 31 January, 2020**. On other fronts, lawmakers also foiled another bid by Johnson to call for an election on 12 December.
- Better looking risk appetite was characterized by firmer bund and UST yields coupled with positive global (including EM) equities on Monday. Meanwhile, the **FXSI (FX Sentiment Index)** slipped significantly (for the 2nd consecutive session) and headed towards **Risk-On** territory from **Risk-Neutral** territory currently.
- The primary focus this week will be on the **FOMC** on Wednesday, when another (all but priced-in) **25bps cut** is expected but forward guidance will be crucial. Notably, Friday sees 5 Fed speakers (Kaplan, Clarida, Quarles, Daly, and Williams).
- The **Bank of Canada** is also due on Wednesday (no change) while the **BOJ MPC** is due on Thursday. On the data front, the US October **nonfarm payrolls** numbers on Friday will round off a data intensive week.
- **Overall, with risk appetite levels on the mend as potential positives have continued to align, expect the USD to remain disadvantaged going into the FOMC. In this current episode, note that the European complex as well as the cyclicals have been thriving.**

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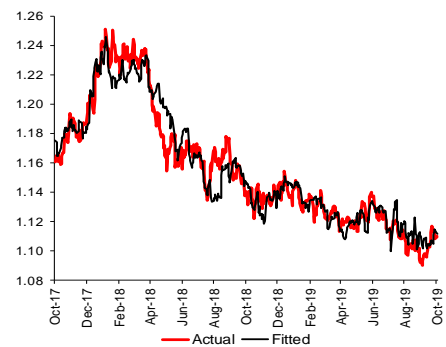
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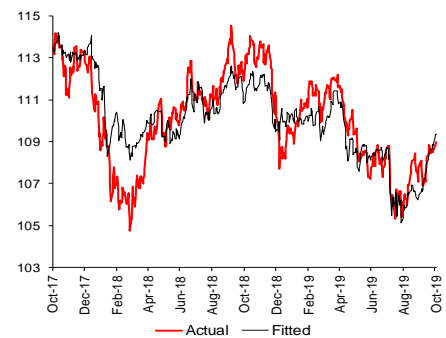
EUR-USD

Supported on dips. EUR-USD may continue to be cushioned by supported short term implied valuations although any break above 1.1100 is expected to be met by resistance from the 100-day MA (111.27).

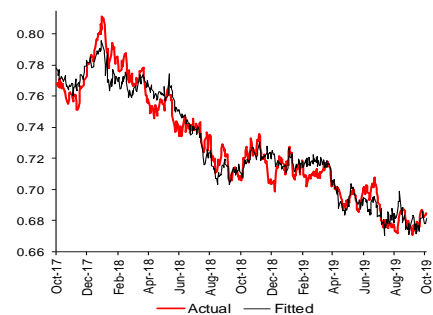


USD-JPY

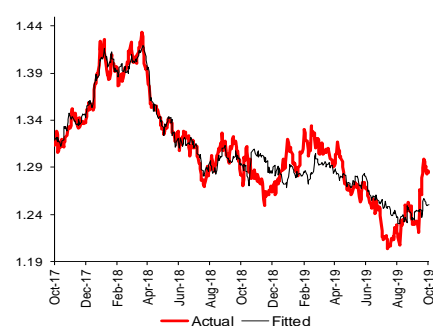
Edging higher. With short-term implied valuations for the USD-JPY continuing to ascend, the pair may be expected to challenge the 200-day MA (109.06) with 108.60 seen supporting.



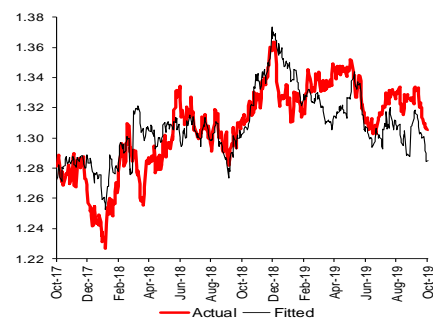
AUD-USD Consolidation before bottoming? The RBA's Lowe speak later today (0645 GMT) and the AUD-USD may be on the cusp of another attempt higher if positive news flows continues to converge in the coming sessions. Expect key resistance in the neighborhood of 0.6895.



GBP-USD Headline-driven. Brexit-related headlines (3M extension in the bag) may remain the prime driver for the GBP-USD although we reiterate that the pair has overrun the top side relative to its short term implied valuations. The 200-day MA (1.2715) is seen supported as a near term consolidation zone.



USD-CAD Heavy. USD-CAD is expected to continue to shadow its short-term implied valuations lower in the current environment and ahead of the Bank of Canada meeting. If positive macro headlines persist into the latter part of this week, expect the pair to continue to gravitate towards 1.3000.



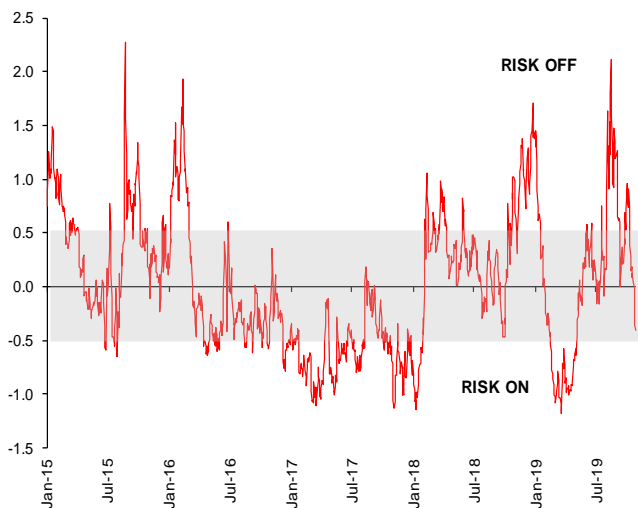
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Asian Markets

- **USD-Asia:** Despite USD-CNH bottoming out on Monday, expect the regional pairs to adopt a top heavy posture into Tuesday. On the macro front in China, the recent tightening liquidity as well as firming bond yields of late may continue to be interpreted as an increasingly less dovish signal.
- On the flow front, **EPFR** data meanwhile showed a compression in implied net outflows from Asia (excl Japan, China) while implied net bond flows picked up.
- On the data front, look to China's October PMIs on Thursday while the turn of the month on Friday will also bring the deluge of global manufacturing PMIs (including the Caixin PMI for China).
- **USD-SGD:** USD-SGD trickled lower with NEER-implied USD-SGD thresholds firming into the end of the global day. This morning, the NEER has however consolidated lower to around +1.65% above its perceived parity (1.3854). Expect the 200-day MA (1.3658) to continue to cap with support seen towards 1.3600.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1000	1.1035	1.1099	1.1100	1.1179
GBP-USD	1.2715	1.2800	1.2851	1.2900	1.3013
AUD-USD	0.6790	0.6800	0.6849	0.6883	0.6893
NZD-USD	0.6300	0.6341	0.6371	0.6400	0.6426
USD-CAD	1.3000	1.3050	1.3053	1.3100	1.3230
USD-JPY	107.56	108.00	108.97	109.00	109.06
USD-SGD	1.3600	1.3602	1.3627	1.3658	1.3700
EUR-SGD	1.5095	1.5100	1.5126	1.5163	1.5200
JPY-SGD	1.2487	1.2500	1.2506	1.2528	1.2600
GBP-SGD	1.7362	1.7500	1.7512	1.7600	1.7721
AUD-SGD	0.9255	0.9300	0.9333	0.9353	0.9362
Gold	1458.30	1475.43	1490.00	1500.00	1504.58
Silver	17.37	17.80	17.81	17.82	17.90
Crude	55.40	55.70	55.72	55.80	56.67

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