

## Daily Market Outlook

30 August 2019

### Market Themes/Strategy

- Amid cited month-end flows, the dollar climbed against most of the majors and the JPY and CHF underperformed as optimism surrounding impending face-to-face Sino-US trade talks picked up (note hopeful comments from China's Commerce Ministry). Dovish comments from incoming ECB President Christine Lagarde also pressured the EUR-USD lower. Elsewhere, the CAD however outperformed across the board as crude continued to climb.
- UST (note tepid response to the 7-year auction) and bund yields rose as the safety bid faded. Meanwhile, positive EZ/US/EM equities and softer gold aided the **FX Sentiment Index (FXSI)** lower on Thursday although the Index remained in **Risk-Off** territory.
- Ones to watch on the calendar today include EZ August CPI (0900 GMT), US July PCE deflator (1230 GMT) and the August Michigan consumer confidence index (1400 GMT). On central bank rhetoric, the ECB's Rehn is due at 0900 GMT. Over the weekend, apart from new US tariffs on China taking effect on Sunday, China's August PMIs are also due on Saturday.
- Markets may remain appropriately cautious going into the US Labor Day long weekend (US markets closed on Monday) given that heavy headline-related risks continue to abound. Note that the next tranche of tariffs is slated to come into effect on Sunday, 1 September.
- To this end, any perceived bounce in the cyclicals or Asian FX may prove fleeting with investors also likely lacking conviction at this juncture. **In a nutshell, the broad dollar may remain inherently supported.**

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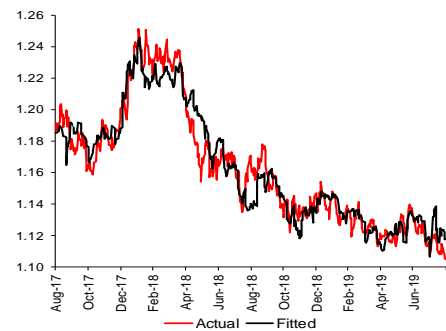
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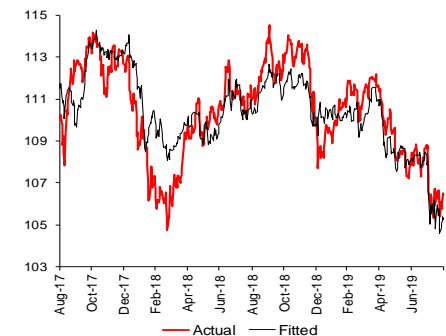
### EUR-USD

**Heavy tone.** Conte's return as the Italian PM and the less dovish than expected comments from the ECB's Knot were largely overshadowed by sufficiently dovish comments from Lagarde, keeping the downside pressure on the EUR-USD. Note that short term implied valuations also tipped softer. Overall, the needle continues to point south, with 1.1000 attracting for now.



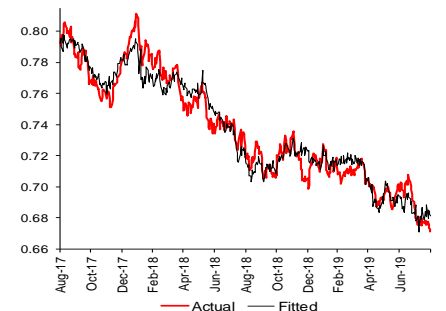
### USD-JPY

**Slippery slope.** The USD-JPY continued to tick higher as positive headlines flowed on the Sino-US trade front, with the pair effectively recovered from the hit it took since the last round of tension escalation. The pair may potentially gravitate to 107.10 if the safety bid eases further, but we remain cautious in chasing the pair higher.



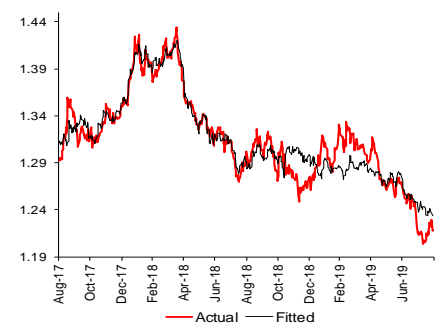
### AUD-USD

**Heavy within range.** Softer than expected building approvals data partially weighed on the AUD despite the improvement in global risk appetite levels. Despite some resilient short term implied valuations, bounces should be capped at 0.6740 for now, with the 0.6700 floor more likely to attract



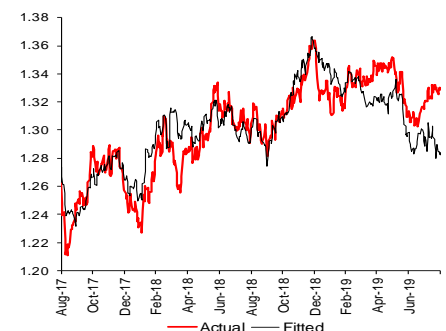
### GBP-USD

**Choppy trade.** Expect the GBP-USD to stay volatile as key dates approach quickly ahead of the 31 Oct Brexit deadline. In the near term, track developments of the legal challenge mounted on PM Johnson's prorogation of the Parliament. The risk-reward, we think, favours a softer GBP-USD for now, with 1.2100 being the first waypoint south.



### USD-CAD

**Range.** The USD-CAD dipped within the 1.3250 - 1.3350 range on the back of easing trade concerns and a firmer crude complex. Nevertheless, expect 1.3250 to keep dips shallow as attention shifts to GDP prints later today, and Bank of Canada next week.



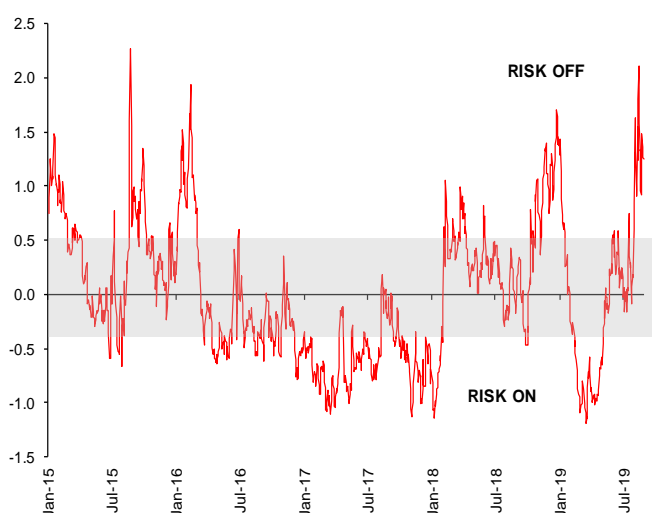
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### Asian Markets

- USD-Asia: Fragile sentiment in Asia.** USD-CNH softened below 7.1500 overnight but expect markets to remain on edge in the current environment. With risk appetite levels shaky, we note that **carry in EM FX** stumbled lower in the month of August while carry within the Asian complex also chalked up losses.
- Note that the USD-CNY mid-point fix (7.0879 today) came in significantly lower than model-driven estimates for the fourth consecutive session. The corresponding CFETS RMB Index value (91.20) also ticked higher from yesterday. **With the CFETS RMB Index potentially bottoming out for now, expect the upside pressure on the rest of USD-Asia to fade off somewhat (but perhaps not for long), pending headline developments over the weekend.**
- The **BOK** this morning left its benchmark rate unchanged at 1.50% as widely expected with accompanying rhetoric remaining sufficiently dovish.
- USD-SGD: Upside bias.** The USD-SGD remained bookmarked by the 1.3860 and 1.3900 levels yesterday. We retain a bias for the pair to edge higher, but we will keep a watchful eye over weekend risk events. The SGD NEER firmed further to +0.65% above parity (1.3984) this morning, with NEER-implied thresholds climbing further.

### FX Sentiment Index



### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1020	1.1027	1.1049	1.1100	1.1191
GBP-USD	1.2016	1.2100	1.2183	1.2200	1.2292
AUD-USD	0.6677	0.6700	0.6713	0.6719	0.6800
NZD-USD	0.6200	0.6290	0.6292	0.6296	0.6300
USD-CAD	1.3200	1.3205	1.3297	1.3300	1.3313
USD-JPY	105.37	106.00	106.48	106.95	107.00
USD-SGD	1.3800	1.3809	1.3894	1.3900	1.3912
EUR-SGD	1.5300	1.5343	1.5352	1.5379	1.5400
JPY-SGD	1.2939	1.3000	1.3048	1.3100	1.3175
GBP-SGD	1.6633	1.6900	1.6927	1.6932	1.7000
AUD-SGD	0.9300	0.9325	0.9327	0.9400	0.9422
Gold	1471.22	1500.00	1527.70	1547.87	1553.40
Silver	16.32	18.10	18.12	18.20	18.34
Crude	56.49	56.50	56.54	56.60	57.77

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