

Daily Market Outlook

30 October 2019

Market Themes/Strategy

- Except the CAD, the majors continued to creep higher against the USD on Tuesday ahead of the FOMC on Wednesday.
- AUD-USD led the way higher as positivity towards Sino-US trade relations continued to grow despite a US official indicating that a deal may not be ready before the APEC Summit in Chile.
- GBP-USD ended mildly higher with the House of Commons approving a bill to call for elections on 12 December 2019.
- The CAD meanwhile underperformed across the board ahead of the Bank of Canada policy meeting on Wednesday as prior bulls reportedly liquidated and crude dipped.
- Despite wobbly global equities (including in EM), the **FXSI (FX Sentiment Index)** continued to dip in Risk-Neutral territory on Tuesday, especially with short-end FX vols continuing to ebb.
- **How the FOMC might play out:** Expect markets to thin out ahead of the FOMC tonight (1800 GMT). Coupled with the capitulation in US rates in recent sessions, markets at this juncture have also baked in the view that the Fed will refrain from being excessively dovish after the anticipated 25bps rate cut tonight. While this may prove supportive for the USD in the very short term, we counter that if Brexit/Sino-US headlines continue to be less than disastrous, a slightly more confident Fed may instead continue to breed risk taking behaviour, boosting the majors instead against the greenback.

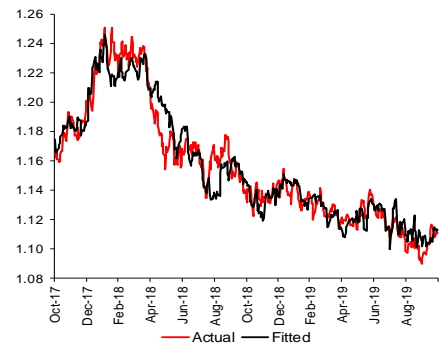
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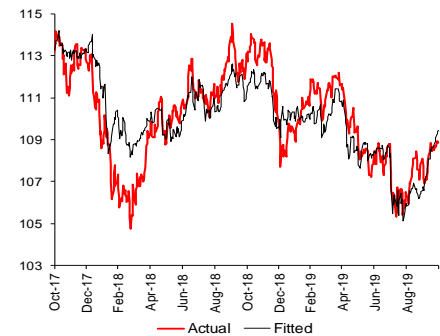
EUR-USD

Supported on dips. In addition to an appearance by the ECB's Lautenschlaeger (1730 GMT), German Oct CPI (1300 GMT) and EZ Oct confidence indicators (100 GMT) today may also have a bearing on the common currency. Stay supported on the EUR-USD in the interim with a floor seen at 1.1060 and a cap expected at the 100-day MA (1.1125).

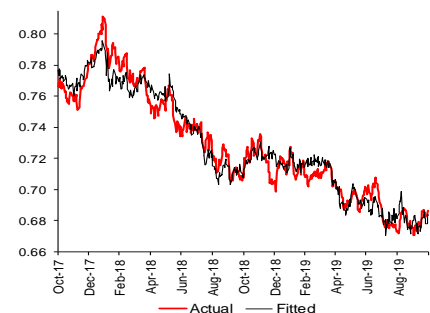


USD-JPY

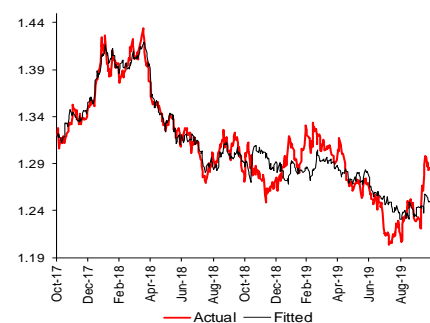
Edging higher. Near term view remains unchanged with short-term implied valuations for the USD-JPY continuing float higher and risk appetite levels still conducive. The pair may however await the FOMC before challenging the 200-day MA (109.06) with 108.30 seen supporting.



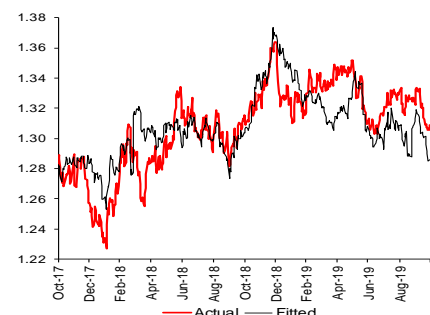
AUD-USD Bottoming? 3Q CPI numbers this morning came in largely in line with expectations and with the RBA's Lowe pushing back against the notion of QE, downside for the pair may continue to remain limited for now. The resistance at 0.6900 remains the one to watch while 0.6830 should cushion.



GBP-USD Headline-driven. Short term implied valuations remain steady and supported by we continue to expect space for some capitulation lower from here. Expect a consolidation zone towards 1.2800 and then at the 200-day MA (1.2714) multi-session.



USD-CAD Heavy. Expect a 1.3040-1.3115 range to hold ahead of the FOMC and BOC tonight, amid some suspicions that the latter would adopt a slightly more dovish tone.



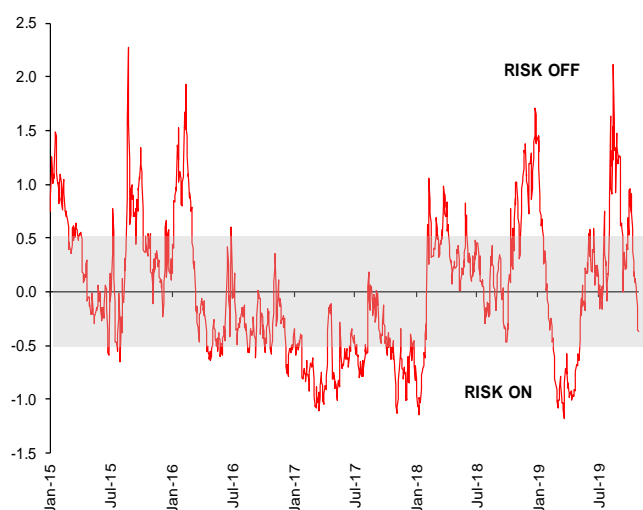
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Asian Markets

- **USD-Asia:** With risk appetite levels looking benign at this juncture, expect the regional pairs to remain top heavy ahead of the FOMC tonight. Net portfolio flows (see below) also remain complicit, demonstrating positive investor appetite towards EM/Asia.
- **Supportive portfolio flows.** On the net portfolio flow front, net inflows for South Korea have been moderating but Taiwan is witnessing a pickup in net inflows instead. The situation in the south also looks supportive with improving net inflows for India and Indonesia, while net outflows for Thailand and Malaysia have continued to compress, potentially flipping to a net inflow situation if investor appetite continues to be underpinned.
- **USD-SGD:** USD-SGD may continue to gravitate towards the 1.3600 floor pending further headline risks. The SGD NEER meanwhile is slightly softer at +1.63% above its perceived parity (1.3846) with NEER-implied USD-SGD thresholds softer on the day.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1036	1.1100	1.1108	1.1179	1.1195
GBP-USD	1.2714	1.2800	1.2864	1.2900	1.3013
AUD-USD	0.6792	0.6800	0.6859	0.6883	0.6900
NZD-USD	0.6300	0.6340	0.6355	0.6400	0.6424
USD-CAD	1.3000	1.3042	1.3091	1.3100	1.3227
USD-JPY	107.60	108.00	108.87	109.00	109.06
USD-SGD	1.3600	1.3602	1.3625	1.3658	1.3700
EUR-SGD	1.5095	1.5100	1.5134	1.5196	1.5216
JPY-SGD	1.2487	1.2500	1.2516	1.2529	1.2600
GBP-SGD	1.7361	1.7500	1.7527	1.7600	1.7721
AUD-SGD	0.9256	0.9300	0.9344	0.9353	0.9369
Gold	1458.30	1476.06	1491.00	1500.00	1504.04
Silver	17.37	17.70	17.79	17.80	17.83
Crude	51.43	55.20	55.27	55.30	55.38

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