

Daily Market Outlook

30 September 2019

Market Themes/Strategy – The week ahead

- Amidst softer UST yields (note less than dovish comments from the Fed's Harker), the majors traded in recent ranges and on both sides of the dollar on Friday. The US data feed meanwhile proved mixed to soft (Aug personal spending, PCE core deflator, capital goods orders, Sep, Michigan sentiment). GBP remained an underperformer following dovish comments from the BOE's Saunders.
- Despite softer gold, negative US equities and crude oil saw the **FXSI (FX Sentiment Index)** creeping deeper into **Risk-Off** territory on Friday. **Expect markets to start the week in Risk-Off mode.**
- **CFTC** data meanwhile show large non-commercial accounts and leveraged accounts increasing their net implied long dollar bias in aggregate in the latest week. Meanwhile, asset manager accounts also pared their short dollar bias in the same period.
- **Global central bank guidance.** The **RBA** this week is expected to cut 25bps on Tuesday to 0.75%, while numerous central bank appearances also fill the calendar this week, including the **Fed's Powell** on Friday. With **China** away for its **National Day holidays** starting from Tuesday, investors may have to contend with a slight asymmetry in news flow although all eyes will be on any headline risks pertaining to upcoming **Sino-US trade talks** expected 10-11 October.
- **Busy data calendar.** On the data front, the turn of the month brings the deluge of global September PMIs, including China's official PMIs (0100 GMT) and Caixin manufacturing PMI (0145 GMT) today. The US September labor market numbers on Friday will round off a busy data calendar this week.
- **Near term, we retain a bearish bias on the EUR-USD while the likes of the USD-JPY and AUD-USD may continue to be range bound and reliant on headline risks, especially from the Sino-US front.**

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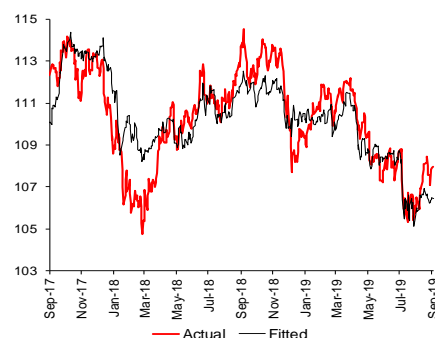
EUR-USD

Top heavy. A heavy EUR-USD continues to be our preferred call for now, with European PMIs scheduled this week possibly plying further negative pressure on the pair. We continue to eye the 1.0900 level in for now, and expect further extension towards 108.20 on a structural basis if that level is perforated.



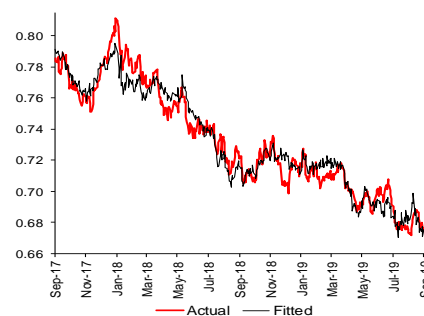
USD-JPY

Consolidate. Expect the uptick of the risk aversion to flex against the still-resilient broad USD, potentially keeping the USD-JPY within a narrow range at the start of the week. Retain a bias for the pair to ease higher into the 108.00-108.50 zone for now, with good support seen near 107.80. Any sustained dip beyond the 107.40/60 area may turn the pair back to a heavy posture.



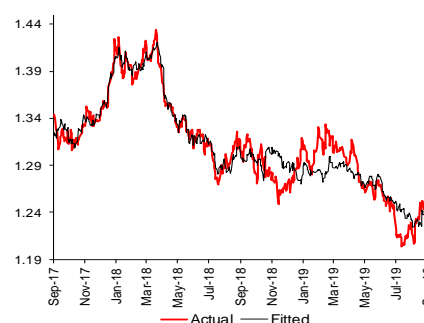
AUD-USD

Heavy tone. The RBA policy decision (Tue) will set the tone early week, with investors also expecting another read of the global economic pulse in the Aug PMIs. With short term implied valuations still heading south, the AUD-USD may retain a heavy posture, with the 0.6750 level still attracting. Expect this level to be violated if the RBA comes in more dovish than expected tomorrow.



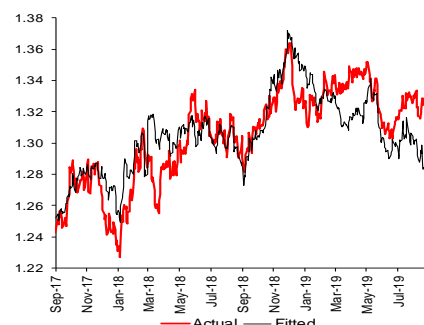
GBP-USD

Heavy pending new cues. With the Brexit deadline fast approaching, the focus appears to be insurance against excessive GBP movements in a 3-month horizon. BOE hawk-turned-dove Saunders also imparted negative pressure in the interim. Expect the 55-day MA (1.2281) to attract, but do not rule out further extension lower towards 1.2200 if that level is punctured.



USD-CAD

Flat to higher. Expect the USD-CAD to stay within the MA congestion area between 1.3228 and 1.3300, pending further headlines. In the interim, easing oil prices and rising risk aversion may cause to pair to be somewhat supported.



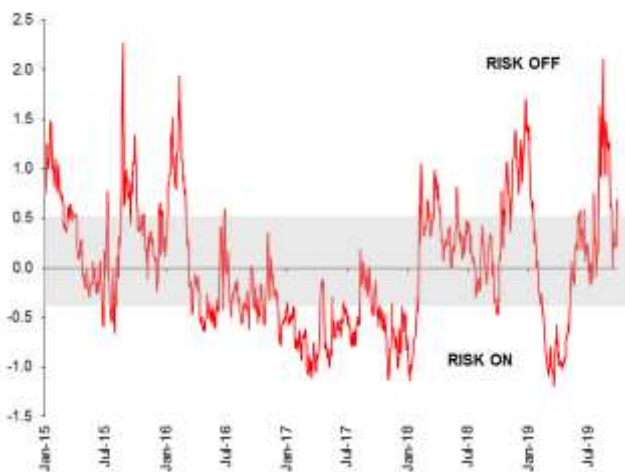
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Asian Markets

- **USD-Asia:** **USD-CNH** popped higher on Friday following reports that US officials were discussing limits to US portfolio inflows into China as well as considering de-listing Chinese companies in the US. With EM equities also ending in negative territory. Expect USD-Asia to begin the week on a higher plane amid a fair amount of caution.
- On the **EPFR** front, net implied equity outflows from Asia (excl Japan, China) increased significantly in the latest week while net implied bond inflows picked up instead.
- On the central bank front this week, look to **BOT MPC minutes** on Wednesday, while the **RBI** is expected to ease monetary policy further on Friday.
- **USD-SGD:** The USD-SGD stayed north of the 1.3800 area on Friday, providing a platform for the pair to search higher early week, and possibly lifting to the 1.3850 level. On the other hand, expect dips to be limited to the 55-day MA (1.3787). The SGD NEER is slightly softer on the day at around +0.97% above its perceived parity (1.3952).

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0905	1.0921	1.0935	1.1000	1.1077
GBP-USD	1.2200	1.2262	1.2290	1.2300	#N/A
AUD-USD	0.6700	0.6722	0.6762	0.6800	0.6806
NZD-USD	0.6236	0.6255	0.6269	0.6300	0.6424
USD-CAD	1.3153	1.3200	1.3237	1.3244	#N/A
USD-JPY	107.00	107.09	107.91	108.00	108.48
USD-SGD	1.3800	1.3806	1.3816	1.3874	1.3900
EUR-SGD	1.5070	1.5100	1.5108	1.5200	1.5293
JPY-SGD	1.2677	1.2800	1.2803	1.2895	1.2900
GBP-SGD	1.6900	1.6929	1.6979	1.7000	1.7276
AUD-SGD	0.9296	0.9300	0.9342	0.9397	0.9400
Gold	1484.00	1492.89	1493.30	1500.00	1544.39
Silver	17.40	17.43	17.48	17.50	19.09
Crude	55.00	55.68	56.10	56.50	60.83

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