

Daily Market Outlook

31 October 2019

Market Themes/Strategy

- With the FOMC behaving as widely expected (rate cut to 1.50-1.75% but explicitly signalling a pause), the dollar was shaved lower against the majors. Underscoring the Fed's prognosis, US 3Q GDP readings before the FOMC also came in warmer than expected at +1.9%. UST yields fell with the curve bull flattening.
- Meanwhile, the CAD dropped across G10 space after the Bank of Canada expectedly held its benchmark rate at 1.75% as expected and adopted a more dovish posture.
- The antipodeans (AUD, NZD) led the way higher within G10 space as the Fed's fairly benign prognosis continued to fuel positive risk appetite.
- Improved investor sentiment also manifested via positive US (and EM) equities, with the **FXSI (FX Sentiment Index)** remaining in Risk-Neutral territory despite ticking slightly higher.
- Expect USD vulnerability to persist intra-day but beyond the immediate term, markets may now assess how the companion global central banks bounce off the Fed's latest confidence, starting with the **BOJ MPC** today.

Treasury Research

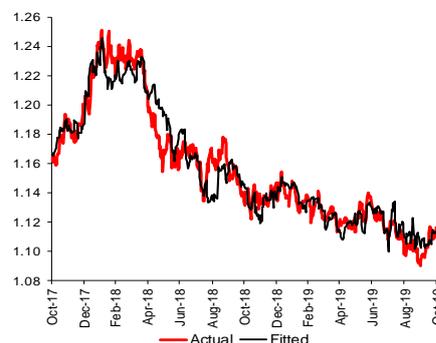
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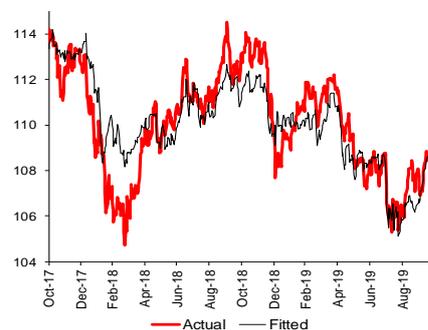
EUR-USD

Firmer. EUR-USD may continue to feed off USD vulnerability at this juncture and with the 100-day MA (1.1125) now functioning as a support, the next upside way point is expected at the 200-day MA (1.1199).



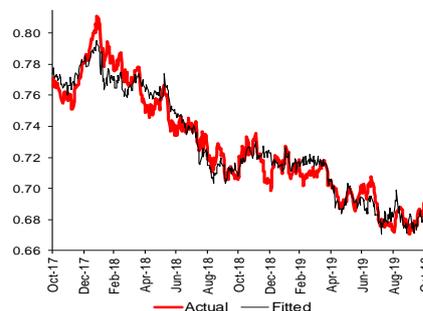
USD-JPY

Edging higher. USD-JPY may have to continue to strike a balance between USD fragility (note softer yields from overnight) and supported risk appetite levels. Firmer guidance however for the pair may continue to be provided by short term implied valuations, although the 200-day MA (109.05) may cap for now.



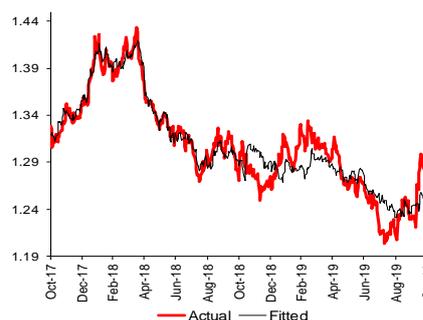
AUD-USD

Bottoming. In the wake of the FOMC, AUD-USD has surfaced above 0.6900 and we note that short term implied valuations may continue to guide the pair higher. Next key resistance on a multi-session horizon is only expected at the 200-day MA (0.6957).



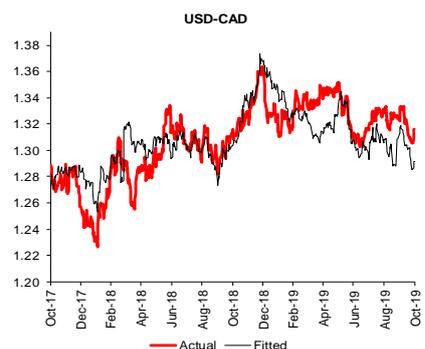
GBP-USD

Headline-driven. GBP-USD also participated in the broad dollar's decline on Wednesday but the spotlight may quickly return to election-related headlines. Expect some consolidation in the neighborhood of 1.2900 in the interim given that the pair remains slightly overcooked relative to short term implied valuations.



USD-CAD

Bottom fishing. Contrasting outlooks between the Bank of Canada and the Fed may put an interim floor on the USD-CAD (downside nullified) in the near term. In the interim, expect a 1.3120-1.3200 range to hold.



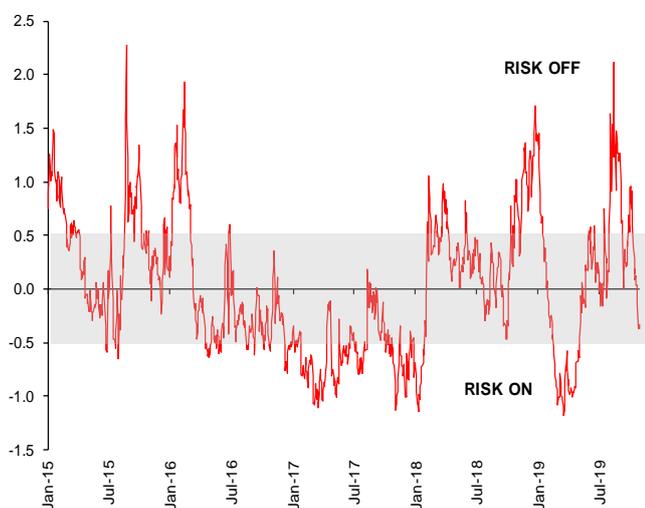
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Asian Markets

- USD-Asia:** Expect USD-Asia to remain heavy post-FOMC with positive investor appetite likely to continue to circulate. To this end, the **CNH** may continue to set the near term pace for the Asian complex, with the pair sub-7.0500 in early trade on Thursday. Excessive downside may however be tempered somewhat with the **China October PMIs** this morning coming in softer than expected.
- As noted previously, the net portfolio flow environment in aggregate within Asia has been improving (especially for the south). As such, if risk appetite continues to strengthen, expect some rotation towards the high yielders on a relative basis.
- USD-SGD:** USD-SGD remains unambiguously top heavy in the current environment with the SGD NEER relatively softer on the day at around +1.49% above its perceived parity (1.3812). Notably, NEER-implied USD-SGD thresholds are also softer on the day. Expect a near term locus in the vicinity of 1.3600.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1039	1.1100	1.1166	1.1179	1.1199
GBP-USD	1.2713	1.2900	1.2923	1.3000	1.3013
AUD-USD	0.6796	0.6900	0.6921	0.6926	0.6929
NZD-USD	0.6342	0.6400	0.6420	0.6436	0.6438
USD-CAD	1.3042	1.3100	1.3162	1.3200	1.3225
USD-JPY	107.65	108.00	108.65	109.00	109.05
USD-SGD	1.3600	1.3602	1.3608	1.3658	1.3700
EUR-SGD	1.5100	1.5194	1.5195	1.5200	1.5211
JPY-SGD	1.2487	1.2500	1.2526	1.2529	1.2600
GBP-SGD	1.7360	1.7500	1.7586	1.7600	1.7721
AUD-SGD	0.9400	0.9402	0.9419	0.9425	0.9500
Gold	1476.86	1500.00	1500.20	1504.06	1508.02
Silver	17.85	17.90	17.93	17.99	18.00
Crude	51.64	55.10	55.17	55.20	55.36

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