

Daily Market Outlook

30 September 2020

Market Themes/Strategy

- Positive data out of US, with consumer confidence rebounding strongly, did little to support US equities overnight. US equities softened after three consecutive session of gains, leading the rest of global equities lower. Global core yields are softer on the day, with the commodity complex also mostly heavy. Gold bucked the trend to lift higher back towards the US\$1,900 mark. Overall, market sentiment continues to be heavy, with the **FX Sentiment Index (FXSI)** continues to edge towards the **Risk-Neutral** zone.
- The **broad USD** continued to turn south on rebalancing flows, with the **AUD** and **EUR** outperforming the lot. The failure to breach 1.1600 and 0.7000 may have disappointed the bears, with the pairs facing short-covering. The greenback, however, saw gains against the **CAD** and **JPY**.
- First US presidential debate is underway Wed morning in Asia, but there seems to be little market interest for now, with the USD-JPY little changed in the process. Nevertheless, we will keep a close watch on the subsequent polls and commentary. Concerns over a contested outcome more reflected in the options space for now, rather than spot.
- Backing the broad USD resulted in the some pain over the past two sessions on the back of month-end flows. Question is whether the USD recovery can continue after month-end flows. The confluence of developments that first resulted in the USD bounce is basically still in place. **Let's not be so quick to revert back to a USD weakness stance just yet.**

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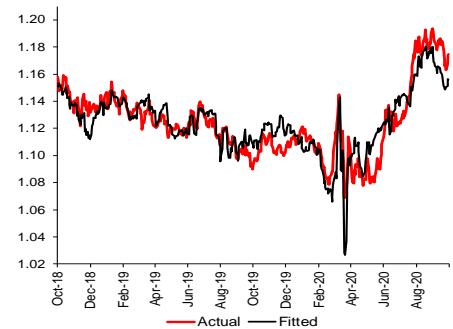
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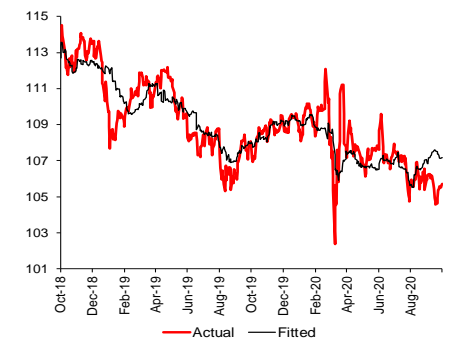
EUR-USD

Bounce. The EUR-USD bounced higher towards the 1.1750 mark, as bears took cover after the pair failed to breach 1.1600. This may have been exacerbated by month-end flows, and it remains to be seen if the pair can gain sustained upside momentum. Emerging headlines that the EU Budget and recovery plan may stall due to political issues in Hungary and Poland may potentially weigh. For now, 1.1690 should act as an immediate support, with resistance at 1.1780.



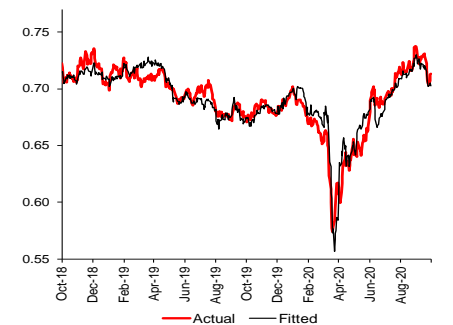
USD-JPY

Slow drift higher. The JPY was one of the few currencies that dipped against the USD overnight, with the USD-JPY grinding towards the 106.00 resistance. Expect the pair to populate a narrow range pending better USD directionality. First resistance at the 55-day MA (105.91), while 105.00 supports.



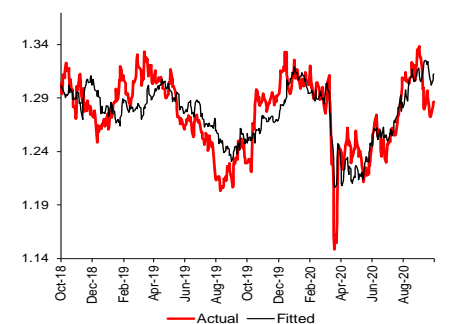
AUD-USD

Temporary bounce. The AUD-USD gained some traction amid the softening broad USD, seeing it break above the 0.7100 level. However, looking forward, the main negatives for the AUD has still not changed. With the RBA expecting to cut rates and global commodities prices still weak, do not rule out the pair resuming its downward move in the next few sessions. Initial support at 0.7100 while resistance is now set at 0.7170.



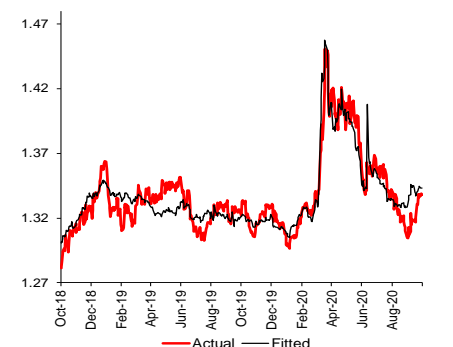
GBP-USD

Headline driven. The GBP-USD has seen an uptick over increasing expectations of a Brexit deal and rising equities. However, expect the upside potential of the GBP to be capped as markets await the outcome Brexit talks by Friday. Looking forward, expect the GBP to be in a consolidative tone with 1.2900 as the resistance and 1.2820 as the support.



USD-CAD

Supported. Unlike the other cyclicals, the CAD eased against the USD, perhaps still under pressure due to a soggy crude and commodity complex. No change in stance for now, expecting the USD-CAD to be bookended by 1.3300 and 1.3420.



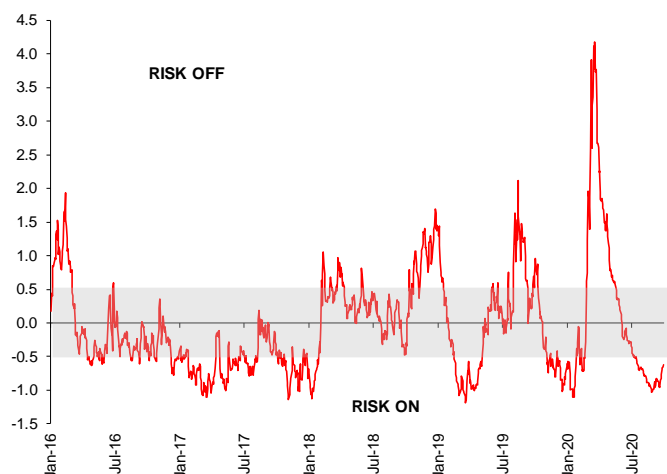
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Asian Markets

- **USD-Asia:** Going forward, USD-Asia may take cues from the broad USD as China goes into its long holiday starting tomorrow. The official Chinese PMIs are firmer than expected early Wed, although the Caixin manufacturing gauge is marginally on the soft side. Nevertheless, this should not detract from the view that the Chinese recovery is fundamentally in place.
- **USD-SGD:** The SGD NEER firmed up further to +0.34% above the perceived parity level (1.3721). Looking forward to the Oct MAS meeting, we are not expecting a lot of fireworks expected. In short, the macro outlook is soft but improving, thus, there is no big pressure for the MAS to act. Fiscal policy should remain the main tool to support the economy. Expect the policy parameters to stay unchanged this round. For the USD-SGD, expect an intraday range between 1.3660 to 1.3720 for now.

FX Sentiment Index



Technical support and resistance level

	S2	S1	Current	R1	R2
EUR-USD	1.1633	1.1700	1.1750	1.1798	1.1800
GBP-USD	1.2720	1.2800	1.2867	1.2900	1.3027
AUD-USD	0.7024	0.7100	0.7137	0.7200	0.7205
NZD-USD	0.6519	0.6600	0.6608	0.6637	0.6700
USD-CAD	1.3250	1.3300	1.3384	1.3400	1.3419
USD-JPY	104.47	105.00	105.68	105.79	106.00
USD-SGD	1.3559	1.3600	1.3678	1.3692	1.3700
EUR-SGD	1.5967	1.6000	1.6072	1.6100	1.6153
JPY-SGD	1.2900	1.2919	1.2943	1.3000	1.3078
GBP-SGD	1.7328	1.7500	1.7599	1.7600	1.7667
AUD-SGD	0.9664	0.9700	0.9762	0.9800	0.9864
Gold	1843.00	1850.71	1890.60	1900.00	1940.80
Silver	22.41	24.20	24.26	24.30	26.02
WTI Crude	36.54	39.00	39.08	39.10	39.46

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Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target	Stop	Rationale
	TACTICAL							
1	11-Sep-20		S	GBP-USD	1.2826	1.2375	1.3034	Renewed Brexit malaise; BOE may tilt dovish
2	24-Sep-20		S	EUR-USD	1.1675	1.1395	1.1815	Softening recovery momentum; up-tick in virus cases; EUR longs taking a breather
	STRUCTURAL							
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RECENTLY CLOSED TRADE IDEAS								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	15-Jun-20	15-Jul-20	S	AUD-USD	0.6841	0.7018	Risk-off tone after equity rally fizzled out and refocus on virus cases; testy relationship with China	-2.52
2	15-Jun-20	21-Jul-20	S	GBP-USD	1.2520	1.2750	BOE relatively more dovish than expected; EU-UK Brexit talks stalling	-1.78
3	27-Aug-20	01-Sep-20	S	EUR-USD	1.1830	1.1977	Powell may disappoint dovish expectations; long EUR positioning peaking	-1.22

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