

Daily Market Outlook

15 October 2020

Market Themes/Strategy

- Overnight developments were dominated by Mnuchin basically admitting that there is no chance of a fiscal stimulus package passing before the election. The blame game has already started. We have previously called the actions on this front political overtures aimed at getting an advantage in the elections, so this outcome does not come as a surprise to us. In response, US equities softened for the second straight day, back end UST yields also marginally softer. The **FX Sentiment Index (FXSI)** dithered at the boundary between the **Risk-On** and **Risk-Neutral** zones, highlighting the uncertain risk sentiment
- The **broad USD** marginally softer overnight. Most majors were little-changed against the USD. GBP is the main outperformer, after headlines flowed through that Brexit talks will continue past the EU Summit this week.
- Going forward, market participants, especially the equity guys, may finally price out the odds of US fiscal stimulus in the coming weeks. This should put a pause on the any risk-on bias as the market runs out of positives for now. Moreover, the virus situation in Europe continues to worsen. **Do not rule out a more defensive tilt as we approach the US elections, providing some support for the USD.**
- In the interim, USD downside momentum seemed to have eased somewhat after the DXY hit a low at 93.00 earlier this week. Aside from the potentially shakier risk sentiment, the **RBA's Lowe leaning more towards further easing also add to a list of AUD negatives. We prefer to sell on rallies. Also stay negative on the EUR, especially with the virus situation worsening.**

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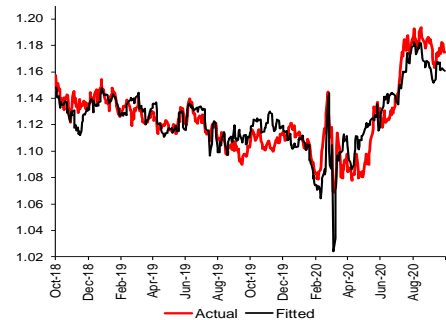
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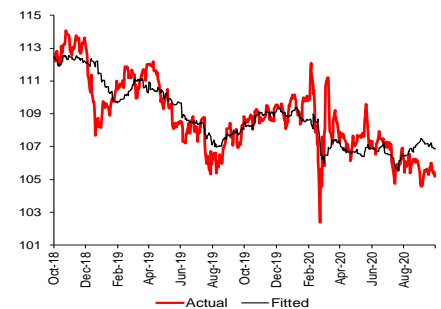
EUR-USD

Heavy within range. A near term top may have been seen at around 1.1830, as the focus in Europe shifted to the containment of the second-wave virus spread. Expect the pair to be implicitly heavy for now, with risk-reward likely tilted in favour of 1.1700.



USD-JPY

Range. The USD-JPY may turn heavy in the coming sessions if risk continues to be shaky. Nevertheless, the 105.00 remains a significant barrier, unless there is a strong risk-off catalyst. Expect the pair to flex around the 105.00 floor for now.



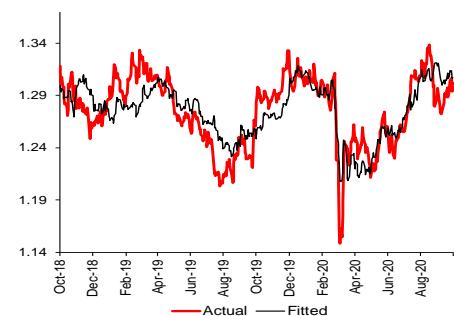
AUD-USD

Heavy. The AUD-USD traded heavy overnight over the lack of clarity over Chinese coal import bans. RBA's Lowe probably laid the path for further easing in his speech overnight, even though the labour market prints early Thu was in-line to better than consensus. With risk sentiment also uncertain, expect the pair to be heavy still, with support at 0.7100 while resistance now sits at 0.7190.



GBP-USD

Headline driven. The GBP-USD spiked up above 1.3000 overnight on news that the UK was willing to extend Brexit talks beyond the 15 October deadline, perhaps not a unforeseen development. Looking forward, expect the pair to gyrate within a large range, pending Brexit headlines. Resistance at 1.3085, while 1.2900 may cushion any near term dips.



USD-CAD

Heavy. The USD-CAD ground marginally higher overnight, but the CAD has been resilient against the USD in recent weeks. Overall, expect a range between 1.3100 and 1.3200 in the coming sessions.



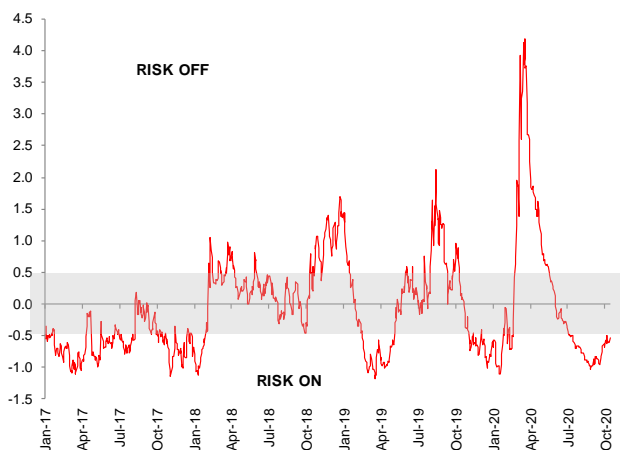
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Asian Markets

- USD-Asia:** The USD-CNH saw some downside pressure overnight, after PBOC's Sun said RMB appreciation is inline with China's growth momentum, and the USD-CNY morning fix again coming in within expectations. The latest PBOC comments suggest that they are comfortable with the medium term RMB appreciation bias. Nevertheless, the near-term pace of appreciation should remain under focus, and our base-case is for some consolidation around 6.7000 – 6.7500. Do not rule out further PBOC signaling if 6.7000 (and 95.00 on the CFETS RMB Index) is at risk of being breached too soon.
- USD-SGD:** the SGD NEER standing at 0.57% above the perceived parity (1.3652) this morning. A spike to +0.70% above parity post-MAS was quickly faded. Do not rule out some consolidation around +0.50% mark, before grinding lower towards parity. The USD-SGD stayed heavy alongside the USD-CNH on Wed, but we expect limited room on the downside in the near term. Prefer to buy on dips.

FX Sentiment Index



Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1633	1.1700	1.1752	1.1796	1.1800
GBP-USD	1.2711	1.3000	1.3017	1.3022	1.3096
AUD-USD	0.7025	0.7100	0.7135	0.7200	0.7207
NZD-USD	0.6600	0.6633	0.6652	0.6700	0.6724
USD-CAD	1.3081	1.3100	1.3147	1.3200	1.3214
USD-JPY	104.68	105.00	105.20	105.77	106.00
USD-SGD	1.3509	1.3527	1.3572	1.3600	1.3655
EUR-SGD	1.5915	1.5932	1.5950	1.6000	1.6088
JPY-SGD	1.2786	1.2900	1.2901	1.2910	1.2946
GBP-SGD	1.7600	1.7662	1.7667	1.7700	1.7747
AUD-SGD	0.9639	0.9664	0.9684	0.9700	0.9841
Gold	1843.00	1852.62	1897.30	1900.00	1931.50
Silver	22.44	24.20	24.24	24.30	25.96
WTI Crude	40.73	41.00	41.07	41.10	41.87

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