

Thin market liquidity dominated FX land as we approached month-end and amid the summer season in the US. While financial markets generally fared better in the previous week, the cautious mood prevailed. It was this heightened sense of caution, and possibly with a broad move in profit-taking as well, that boosted the dollar across the board and equities ended a mixed bag last Friday ahead of the long weekend in London.

As we head into the coming week and into a new month, we expect the unevenness in currencies to pursue on re-positioning, though overall, there is a lack of consensus and it seems that a clearer trend would only surface when liquidity recovers after the US Labor Day holiday next Monday. Besides the US data calendar (please refer to our Daily Global Markets for further details), the Australian and European central bank meets this week, as well as the Sep 4-5 meeting among the G20 nations would also offer meaningful directions.

	<u>Direction</u>	<u>View</u>
EUR/USD	↑	We expect an unchanged policy in the ECB board meeting on Thursday. However, the tone will probably be a more positive one compared to the previous. The first release of Eurozone Q2 GDP is expected on Wednesday (consensus: -0.1% q/q and -4.7% y/y) while German August unemployment and the Eurozone July unemployment rate will be rolled out on Tuesday. EUR/USD to trade the trend but will need another big leg up to threaten the 1.4450 level. Next resistance at 1.4600.
GBP/USD	↔	GBP to play catch-up when markets return on Tuesday from the banking holiday. Markets are likely to continue chewing on the better-than-expected GDP numbers which came in better-than-expected with an upward revision to -0.7% q/q (vs previous -0.8% q/q) and -5.5% y/y (vs previous -5.6% y/y). That should provide some support for the currency pair. Slip of 1.6150 will expose deeper pullback and target deeper support at 1.6000. Lift above 1.6350 will set bulls back on firm footing towards 1.6420.
AUD/USD	↑	The RBA statement on Tuesday would be something to look forward to though we expect the central bank to further highlight optimism about the economy, fine-tuning expectations as to when it might hike interest rates. We see a possibility that the Australian central bank will raise rates early next year. Good also to watch Q209 GDP numbers due on Wednesday where upbeat numbers (consensus: 0.6% q/q and 0.7% y/y) should see the pair head higher. We look for next hurdle at the 0.8480-level before major resistance at 0.8550.
NZD/USD	↑	NZD should see support from the AUD and on higher commodity prices. However, we expect RBNZ governor Alan Bollard's verbal interventions (that a stronger currency will hold back an export-led recovery) to cap excessive rallies in the local unit. Lift above 0.6900 will set bulls on firmer footing towards 0.6950.
USD/SGD	↔	USD/SGD traded within 1.4382-1.4470 last week and is likely to remain in the similar range again this week. Support for the USD/SGD is now seen at 0.8250 with resistance at 0.8480. Domestically, the attention will be on the Aug PMI (consensus: 52.0; Jul: 51.5) due out on Wed. SGD NEER looks to be capped at around 0.5% above the mid-point for the week.

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