

Thursday, October 19, 2017

**FX Themes/Strategy/Trading Ideas**

- Despite supportive Fed-speak (from Williams and Dudley) and the Beige Book, firmer UST yields (led by the back-end) still left the greenback mixed across G10 space. Improved risk appetite levels saw the JPY underperforming across the board while the CAD was lifted by better than expected August manufacturing sales (+1.6% mom). >>
- The “**Taylor put**” so far has only manifested efficiently via the USD-JPY (with additional lift from the upcoming weekend elections in Japan) while markets may continue to trade off idiosyncratic factors (e.g., EUR, GBP, NZD) for the other currency pairs in the near term. Key technical levels (for the DXY and 10y UST yield for example) meanwhile remain fairly secure in the interim and not in imminent danger of a breach, potentially confining investors to further range trading. In the coming weeks, the US President is due to announce his choice for the next Fed chair (before 03 Nov 17) and we note that rate differential arguments in the interim have continued to bolster prospects for the broad dollar. Watch the news feed for any ensuing headlines with Trump scheduled to have an interview with Yellen today with the WH also indicating that the decision could be forthcoming “in the coming days”.
- For today, central bank speak comes potentially from the **Fed’s George** (1330 GMT) while US data on tap include weekly initial claims and the Philly Fed at 1230 GMT. On the China front, 3Q GDP and September data stream is scheduled for 0200 GMT.
- The **Bank of Korea** left its benchmark rate unchanged at 1.25% this morning as widely expected. Meanwhile, **Bank Indonesia** is expected to also remain static (despite comments from the President earlier this week) at its policy meeting today. Real interest rate arguments may suggest outside risks for another cut but given the still sanguine growth outlook and stable inflation outlook, the central bank may opt to leave its policy parameters unchanged, especially in light of exchange rate considerations.

**Asian FX**

- On the net portfolio inflow front in Asia, we see continued moderation of outflow momentum for the KRW and the TWD on a rolling 1-month basis. Meanwhile, the IDR continues to experience sequential net equity outflows while the INR and the THB may be looking slightly stretched to the upside relative to still prevailing (albeit moderating) outflow pressures. Intra-day, expect the **ACI (Asian Currency Index)** to pick higher despite the **FXSI (FX**

Treasury Research &  
Strategy

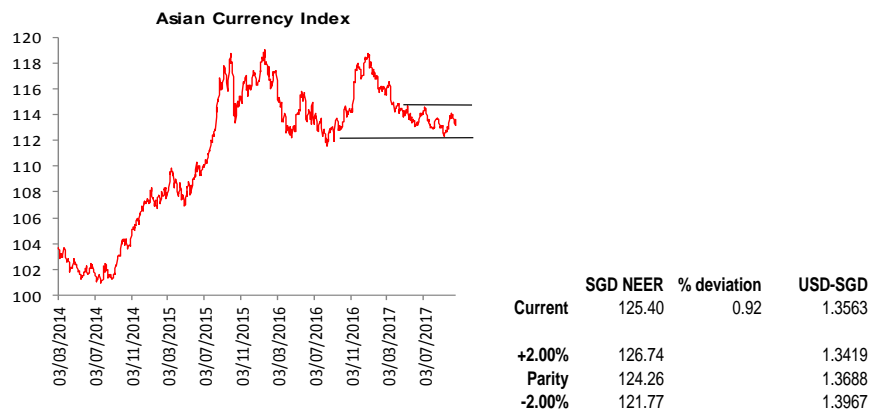
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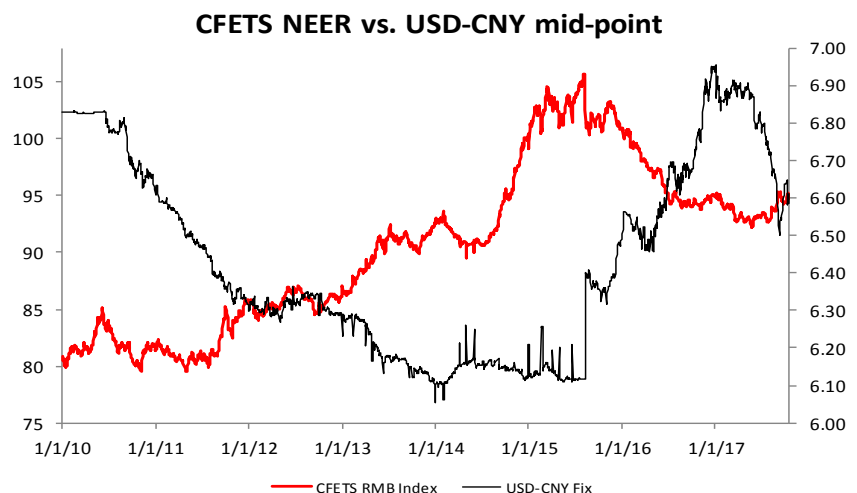
**Sentiment Index)** dipping into **Risk-On** territory for the first time since August.

- SGD NEER:** A loose pattern has continued to play out in the few sessions, with the SGD NEER drifting back below the +1.00% threshold as the Asian session gets underway. This morning, the SGD NEER is softer on the day at around +0.97% above parity (1.3688) with NEER-implied USD-SGD thresholds slightly firmer on the day. At current levels, the +1.00% threshold is estimated at 1.3552 and +1.10% at 1.3539 where a base for the pair is expected pending further external headlines. Technically, USD-SGD may continue to orbit its 55-day MA (1.3562).



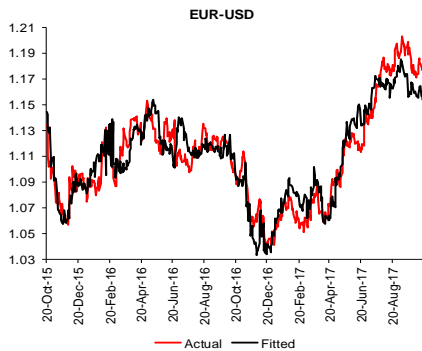
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point rose (largely in line with expectations) to 6.6093 from 6.5991 on Wednesday. This took the CFETS RMB Index lower to 94.77 from 94.80 yesterday.



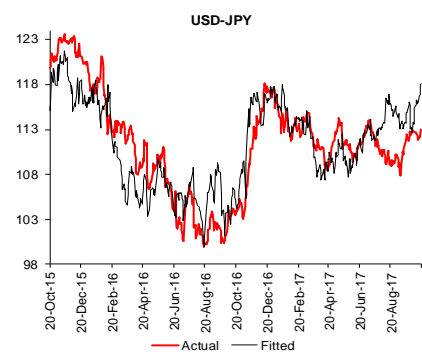
Source: OCBC Bank, Bloomberg

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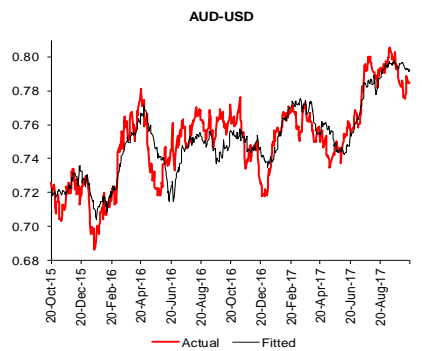
Source: OCBC Bank

- EUR-USD** The ECB's Draghi yesterday did not address monetary policy while Catalonia-related headlines (deadline 0800 GMT) may hold the market's attention today instead. Elsewhere, investors will also be watching ongoing coalition talks in Germany while hawkish expectations surrounding the ECB's taper continue to moderate. Overall, short term implied valuations remain relatively suppressed we prefer a heavy stance within 1.1730 and the 55-day MA (1.1840).



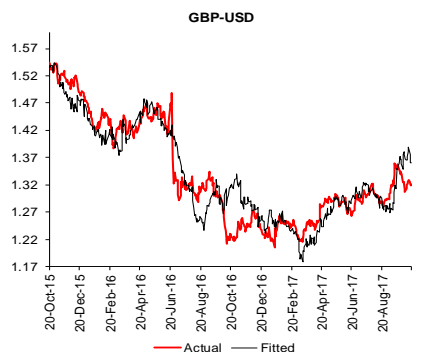
Source: OCBC Bank

- USD-JPY** Fed-speak yesterday remained sufficiently supportive of further rate hikes while the BOJ's Sakurai did not come across as excessively dovish. Nonetheless, rate differential arguments and this weekend's Japanese elections dovetail with climbing short term implied valuations for the USD-JPY. Expect 113.30/50 to attract if the aforementioned dynamics continue to persist.



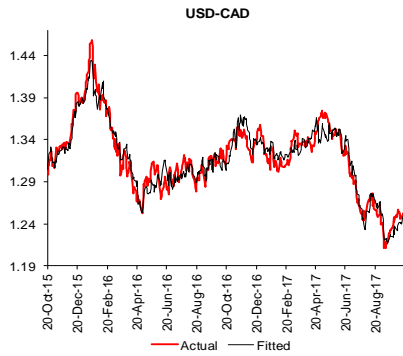
Source: OCBC Bank

- AUD-USD** This morning, the better than expected September labor market numbers (employment change +19.8k) gave the AUD-USD a slight boost. Watch for cross-talk from political developments in NZ (NZ First's announcement due today) with short term implied valuations for the AUD-USD still perceived to be top heavy with the 100-day MA (0.7817) and the 55-day MA (0.7909).



Source: OCBC Bank

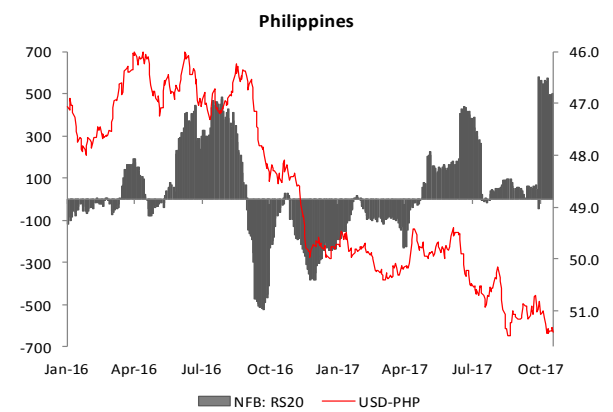
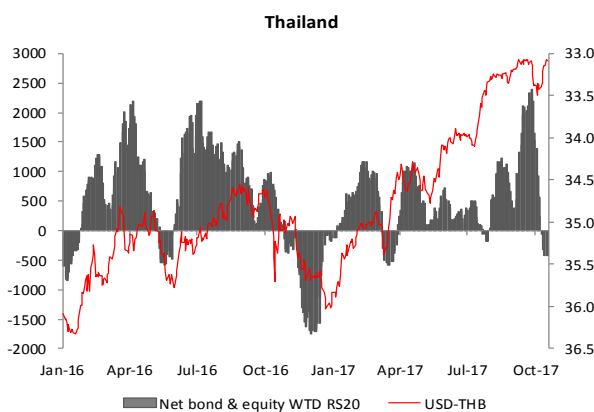
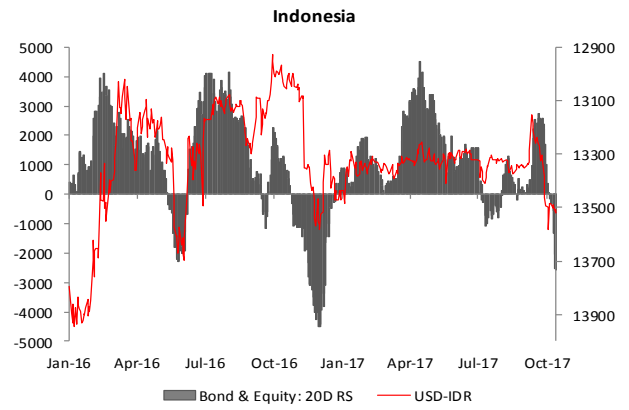
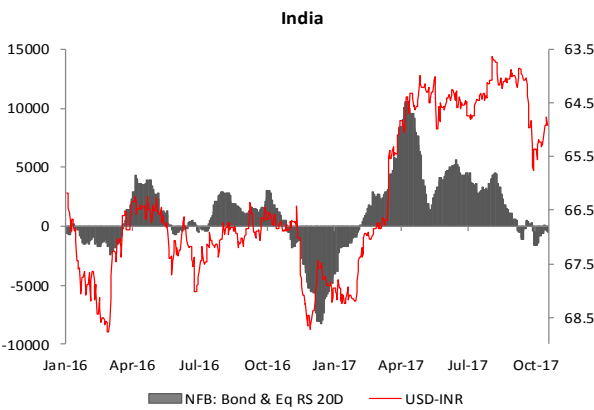
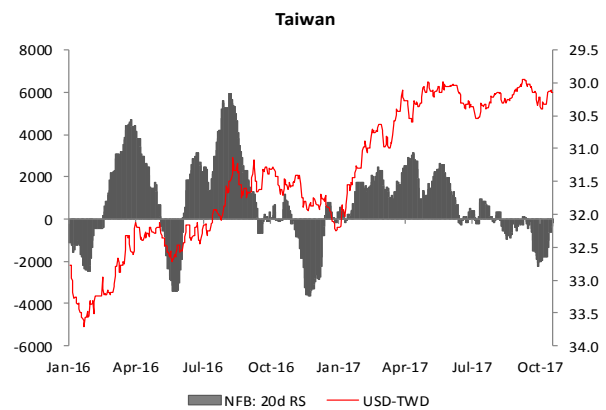
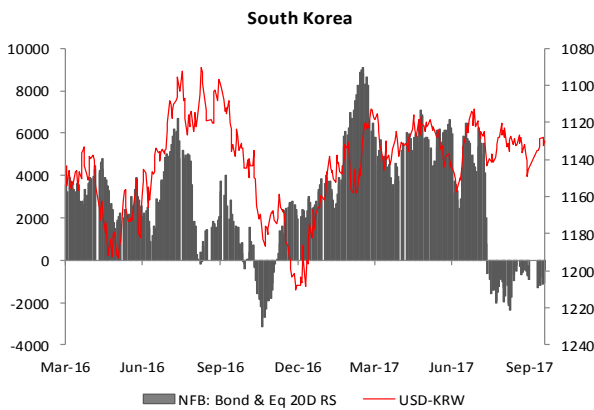
- GBP-USD** Look towards potential headline risks for the GBP as the EU summit (UK's PM May to address EU leaders) gets underway today despite Sep/Aug labor market data coming in on the right side of expectations. Meanwhile, apparent dissent within the MPC despite the BOE's Carney looking for firmer inflation rates may also leave the pound soggy. To this end, note that short term implied valuations continue to head south with the 55-day MA (1.3145) now looking somewhat fragile.

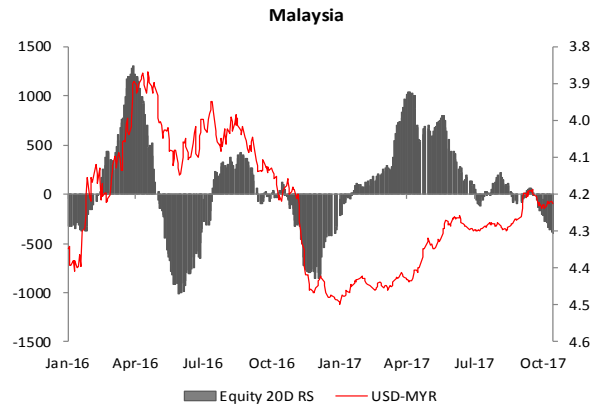


- USD-CAD** Short term implied valuations for the USD-CAD may potentially nullify near term positivity from the latest manufacturing sales numbers. As such, the pair may attempt to base build off its 55-day MA (1.2463) within the recent 1.2400-1.2600 range as investors mull the BOC meeting next week amid prevailing Nafta-related news flow.

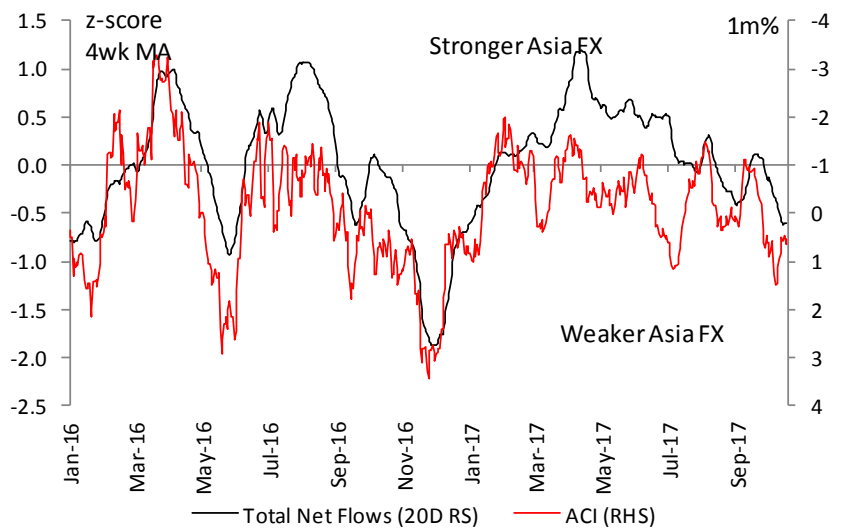
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

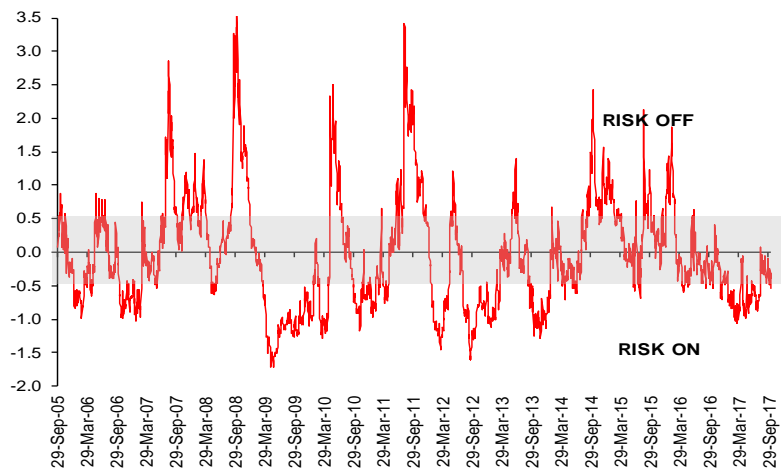




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.757	0.406	0.659	0.162	-0.401	0.709	0.062	-0.205	0.079	0.586	-0.967
CAD	0.927	0.814	0.202	0.789	0.337	-0.335	0.577	0.018	-0.16	-0.096	0.38	-0.847
SGD	0.879	0.746	0.676	0.383	-0.16	-0.692	0.773	-0.184	-0.262	0.088	0.793	-0.887
MYR	0.877	0.752	0.417	0.599	0.064	-0.565	0.62	-0.061	-0.365	0.073	0.573	-0.843
IDR	0.814	0.806	0.221	0.741	0.338	-0.376	0.639	0.05	-0.202	-0.065	0.31	-0.74
CHF	0.796	0.748	0.003	0.836	0.592	-0.239	0.662	0.004	-0.031	-0.097	0.174	-0.663
USGG10	0.757	1	0.113	0.702	0.284	-0.503	0.784	-0.179	-0.247	-0.143	0.332	-0.628
JPY	0.709	0.784	0.396	0.343	-0.04	-0.52	1	-0.007	-0.351	0.21	0.574	-0.66
TWD	0.648	0.633	0.801	0.098	-0.416	-0.785	0.687	-0.163	-0.629	0.232	0.868	-0.686
THB	0.645	0.598	0.646	0.167	-0.389	-0.813	0.594	-0.341	-0.486	0.17	0.788	-0.692
INR	0.632	0.434	0.709	0.082	-0.376	-0.371	0.551	0.263	-0.08	0.392	0.607	-0.715
CNH	0.586	0.332	0.969	-0.065	-0.53	-0.6	0.574	-0.031	-0.415	0.259	1	-0.701
CCN12M	0.454	0.391	0.746	0.089	-0.219	-0.412	0.591	0.081	-0.3	-0.043	0.77	-0.498
CNY	0.406	0.113	1	-0.241	-0.546	-0.234	0.396	0.497	0.017	0.382	0.969	-0.575
PHP	0.401	0.549	-0.315	0.819	0.814	0.034	0.242	-0.019	0.242	-0.415	-0.333	-0.265
KRW	0.115	0.194	0.725	-0.357	-0.691	-0.59	0.23	0.162	-0.435	0.387	0.67	-0.247
NZD	-0.801	-0.792	-0.083	-0.788	-0.381	0.356	-0.518	0.036	-0.077	0.195	-0.173	0.695
AUD	-0.837	-0.84	-0.294	-0.672	-0.197	0.438	-0.615	0.007	0.079	0.014	-0.338	0.76
GBP	-0.863	-0.796	0.024	-0.889	-0.513	0.383	-0.536	0.136	0.036	0.297	-0.266	0.733
EUR	-0.967	-0.628	-0.575	-0.489	0.019	0.396	-0.66	-0.119	0.185	-0.189	-0.701	1

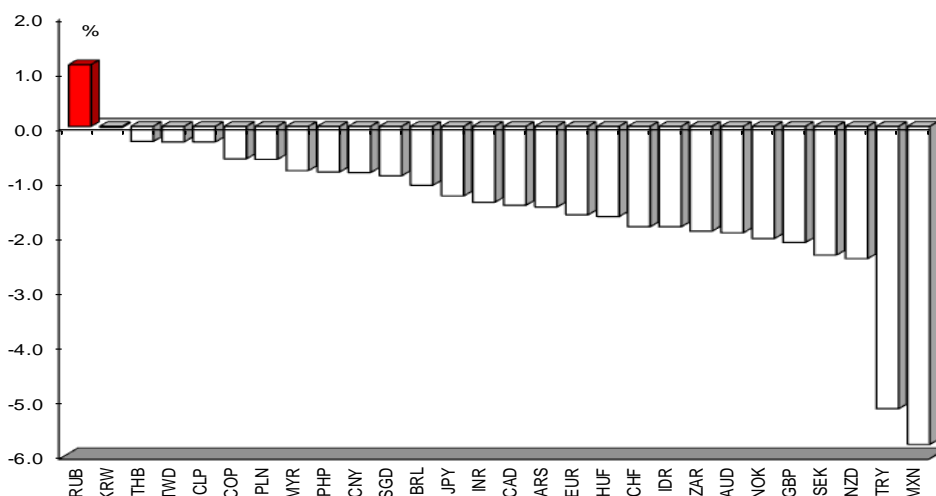
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1682	1.1800	1.1802	1.1845	1.1896
GBP-USD	1.3153	1.3200	1.3209	1.3300	1.3511
AUD-USD	0.7738	0.7800	0.7854	0.7900	0.7906
NZD-USD	0.7051	0.7100	0.7137	0.7156	0.7200
USD-CAD	1.2400	1.2437	1.2470	1.2500	1.2588
USD-JPY	111.73	112.00	112.99	113.00	113.19
USD-SGD	1.3500	1.3546	1.3582	1.3600	1.3656
EUR-SGD	1.5928	1.6000	1.6030	1.6047	1.6060
JPY-SGD	1.2000	1.2008	1.2021	1.2100	1.2112
GBP-SGD	1.7822	1.7900	1.7941	1.8000	1.8275
AUD-SGD	1.0600	1.0635	1.0667	1.0700	1.0708
Gold	1260.50	1264.51	1279.90	1298.97	1300.00
Silver	16.47	16.90	16.96	17.00	17.24
Crude	50.76	52.00	52.04	52.10	52.86

Source: OCBC Bank

### FX performance: 1-month change agst USD



Source: Bloomberg

**G10 FX Heat Map**

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD		Green	Grey	Grey	Green	Red	Green	Green	Green
NZD	Red		Red	Red	Green	Red	Green	Green	Green
EUR	Grey	Green		Red	Green	Red	Green	Green	Green
GBP	Grey	Green	Green		Green	Red	Green	Green	Green
JPY	Red	Red	Red	Red		Red	Green	Green	Red
CAD	Green	Green	Green	Green	Green		Green	Green	Green
USD	Red	Red	Red	Red	Red	Red		Red	Red
SGD	Red	Red	Red	Red	Red	Red	Green		Red
MYR	Red	Red	Red	Red	Green	Red	Green	Green	

Source: OCBC Bank

**Asia FX Heat Map**

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		Red	Red	Red	Red	Green	Grey	Red	Red	Grey	Red
JPY	Green		Red	Green	Red	Green	Green	Green	Green	Green	Red
CNY	Green	Green		Green	Green	Green	Green	Green	Green	Green	Grey
SGD	Green	Red	Red		Red	Green	Green	Green	Green	Green	Red
MYR	Green	Green	Red	Green		Green	Green	Green	Green	Green	Red
KRW	Red	Red	Red	Red	Red		Red	Red	Red	Red	Red
TWD	Grey	Red	Red	Red	Red	Green		Red	Red	Red	Red
THB	Green	Red	Red	Red	Red	Green	Green		Red	Green	Red
PHP	Green	Red	Red	Red	Red	Green	Green	Green		Green	Red
INR	Grey	Red	Red	Red	Red	Green	Green	Red	Red		Red
IDR	Green	Green	Grey	Green	Green	Green	Green	Green	Green	Green	

Source: OCBC Bank

### FX Trade Ideas

Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>								
1	21-Sep-17	B	USD-JPY	112.58	115.05	111.30	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	
2	28-Sep-17	S	AUD-USD	0.7816	0.7625	0.7915	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	
3	28-Sep-17	B	USD-CAD	1.2500	1.2795	1.2350	Reality check from the BOC's Poloz even as the USD garners renewed interest	
<b>STRUCTURAL</b>								
4	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
5	22-Aug-17		Bearish 2M 1X1.5 USD-JPY Put Spread Spot ref: 109.31; Strikes: 109.00, 106.04; Exp: 20/10/17; Cost: 0.57%			Underwhelming data feed, gradualist Fed, potential negative US political baggage		
6	29-Aug-17		Bearish 2M 1X1.5 USD-SGD Put Spread Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31%			Vulnerable USD, prevailing positivity towards carry, EM/Asia		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	11-Sep-17	18-Sep-17	S	USD-CAD	1.2128	1.2270	Support from earlier than expected BOC rate hike, inherent USD vulnerability	-1.16
2	20-Jul-17	21-Sep-17		Bullish 2M 1X1.5 AUD-USD Call Spread Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65% Closed at 0.7964			More positive than expected RBA minutes, supportive data, weak USD	+0.04
3	19-Sep-17	27-Sep-17	B	GBP-USD	1.3540	1.3395	Earlier than expected paradigm change by the BOE	-1.11
4	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734	1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
5	09-Oct-17	12-Oct-17	S	GBP-USD	1.3116	1.3256	Brexit concerns plus additional leadership threats to PM May's position	-1.05
6	04-Oct-17	12-Oct-17	B	USD-SGD	1.3602	1.3525	Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia	-0.56
							<b>Jan-Oct*** 2017 Return</b>	<b>-8.68</b>
							<b>2016 Return</b>	<b>+6.91</b>
* realized **of notional ***month-to-date								

Source: OCBC Bank



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