

Friday, November 04, 2016

FX Themes/Strategy/Trading Ideas

- The dollar may continue to remain soggy into the end of the week and ahead of the US NFP numbers (mkts: +175k) in NY. Despite polls indicating some shift in favor of Hillary, note that the purported leads are still within the margin of error, leaving ample room for ambiguity.
- Elsewhere, with cross-asset nervousness accumulating, the **FXSI (FX Sentiment Index)** increased further (for the 7th consecutive session) within Risk-Neutral territory on Thursday. On the EM/Asian front, US election uncertainty thus far and by and large has translated into USD vulnerability but we think it would take very little to tip global markets into risk aversion gear, resulting in EM/Asian FX weakness instead.
- Overall, expect investors to lighten up and stand on the sidelines (aggravating potential for volatility) heading into the 8 Nov elections. To this end, our measure of relative EM vs. G7 short-end FX vols still indicate relatively higher implied jumpiness across EM.
- With dollar weakness spreading amid the latest BOE MPC and the High Court's ruling on A50 on Thursday, we have closed out our tactical short **GBP-USD** from 12 Oct 16 (spot ref: 1.2271) at 1.2464 this morning for an implied -1.50% loss.
- With the broad dollar sagging, we took profit on our 05 Oct 16 idea to be tactically short **EUR-USD** (spot ref: 1.1222) at the designated level of 1.1125 on Thursday for an implied +1.00% gain.

Asian FX

- Outside of the uncertainty surrounding the US elections, expect some clustering of negative idiosyncratic risks to persist in SE Asia (and potentially encourage USD strength) with IDR bedeviled by protest concerns, MYR by sliding crude, and with investor nervousness still being attached to the PHP. In sum, expect the **ACI (Asian Currency Index)** to bounce on dips while eyeing the topside.
- **SGD NEER:** This morning, the **SGD NEER** is slightly softer on the day at around -0.40% below its perceived parity (1.3788) with NEER-implied USD-SGD thresholds also easier from yesterday. At current levels, the -0.50% threshold is estimated at 1.3585 and -1.00% at 1.3927. Overall, the NEER is in a relatively more comfortable zone this morning and we would continue to expect a cap towards -0.30% (with the USD-SGD bottoming) pending

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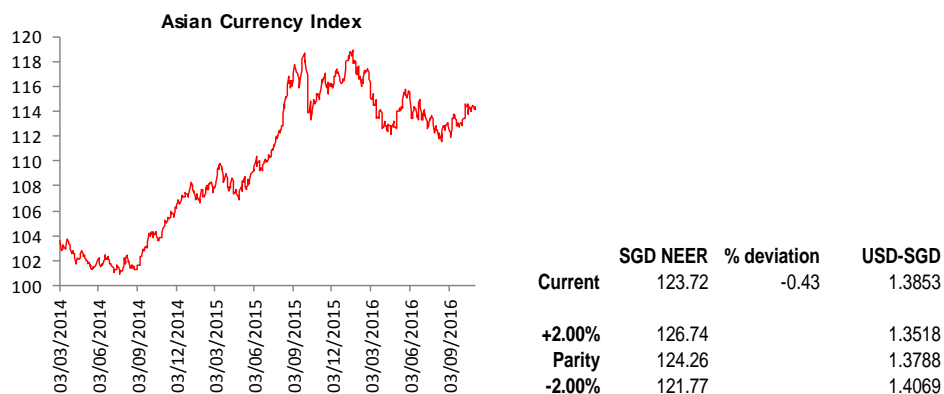
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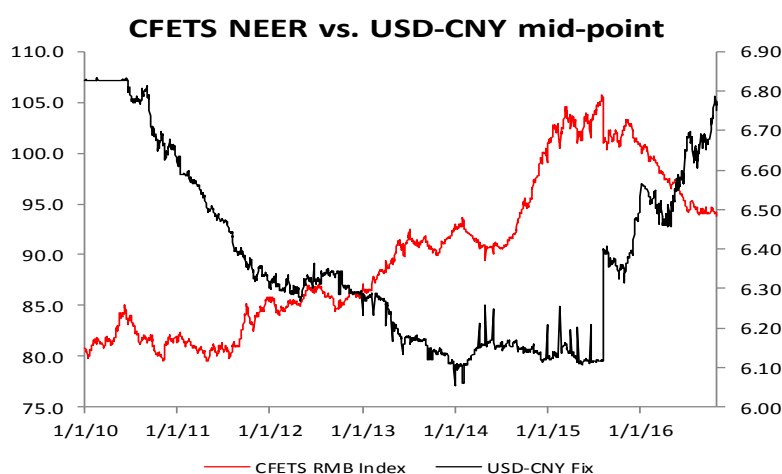
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broader external undercurrents. Volatility indicators (both for the spot and NEER) meanwhile are not deemed at elevated levels. In the interim, a top heavy tone for the USD-SGD may remain in play, with the 1.3800/20 zone (Fibo support at 1.3818) expected to offer initial support.

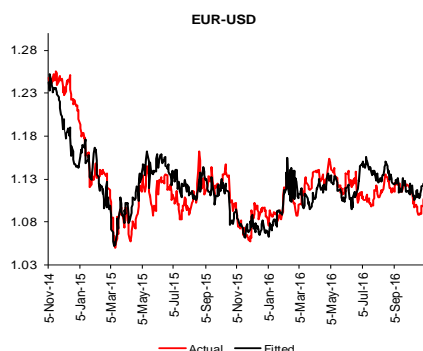


Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point this morning rose (slightly less than expected) to 6.7514 from 6.7491 yesterday. Notably, the Index slipped further to 93.78 from 93.93 on Thursday, sustaining below 94.00 for the second consecutive session. We remain on the lookout for a further discretionary intent to guide the Index lower from here.

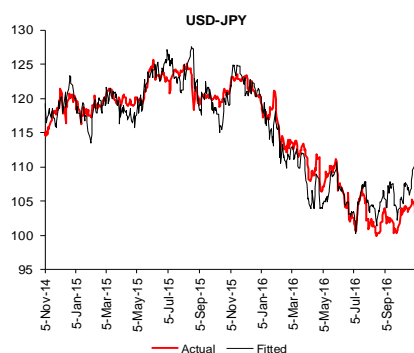


Source: OCBC Bank, Bloomberg

G7

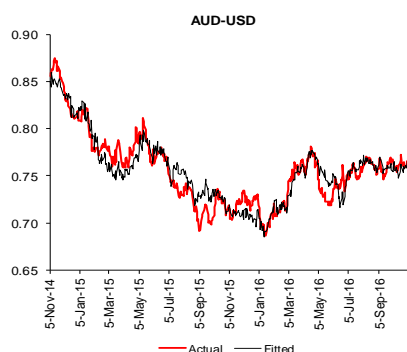
Source: OCBC Bank

- **EUR-USD** With ECB rhetoric coming across as being less than excessively dovish on Thursday, a vulnerable greenback may continue to see the EUR-USD tilted towards its 100-day MA (1.1133) and its 55-day MA (1.1135) ahead of 1.1150. Initial downside support is expected into 1.1050.



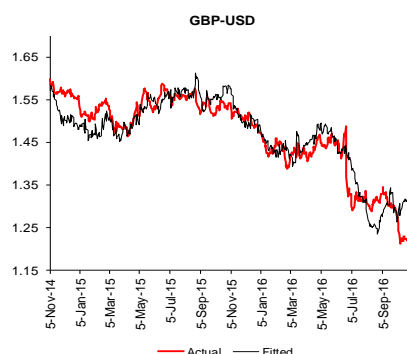
Source: OCBC Bank

- **USD-JPY** Apart from US-centric factors, risk appetite volatility may increasingly exert a larger influence on the USD-JPY in the coming sessions. Intra-day, a top heavy posture (despite being unduly soft relative to fair value) may remain the path of least resistance supports beyond 103.00 see at the 100-day MA (102.83) and the 55-day MA (102.66). The JPY-crosses may remain a key barometer in the short term.



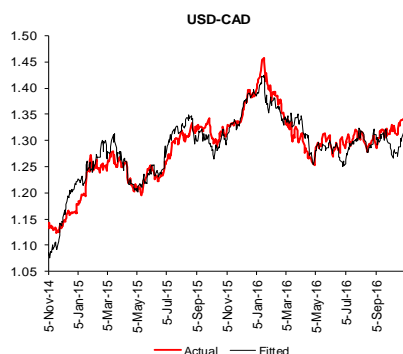
Source: OCBC Bank

- **AUD-USD** If investor appetite is not unduly disrupted, the AUD-USD (which remain largely in line with fair valuation) may attempt to subsist above 0.7650 with the RBA Statement on Monetary Policy sufficiently neutral/sanguine. At this juncture, the ceiling at 0.7700 may remain a hard top pending global event/headline risks.



- **GBP-USD** In the wake of the High Court ruling on A50 and the BOE effectively going neutral at its MPC on Thursday, the GBP-USD may attempt to sustain its breach above the .382 Fibo retracement of 1.2452 into the end of the week. A failure on this front however may result in a relapse back towards 1.2400.

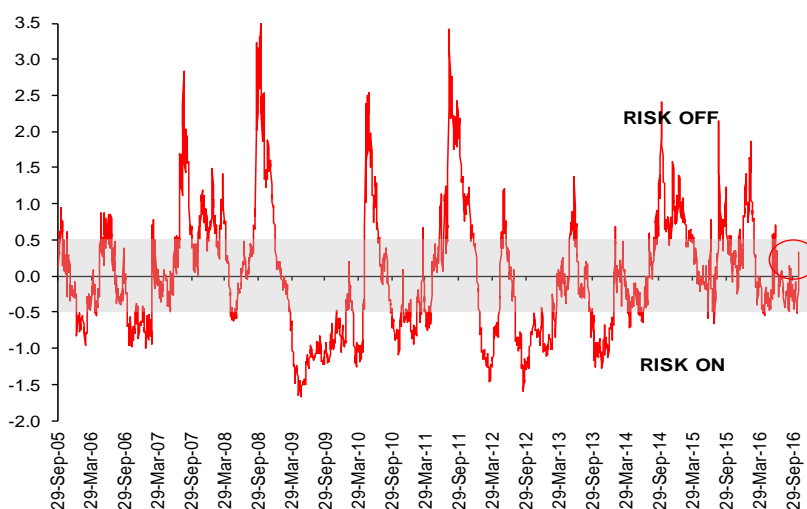
Source: OCBC Bank



- **USD-CAD** Despite inherent political uncertainty south of the border and with crude continuing to deflate, we continue to expect the USD-CAD to remain buoyant although the pair is perceived to be slightly rich relative to short term fair valuation. Preference to pick bottoms within 1.3350-1.3450.

Source: OCBC Bank

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	-0.374	-0.289	0.409	0.517	0.240	0.537	0.313	-0.458	-0.462	-0.279	-0.949
CHF	0.879	-0.330	-0.568	0.604	0.623	0.584	0.636	0.643	-0.522	-0.658	-0.565	-0.968
JPY	0.537	-0.135	-0.823	0.460	0.272	0.541	1.000	0.483	-0.279	-0.681	-0.802	-0.638
SGD	0.339	-0.346	0.480	-0.307	-0.237	-0.558	-0.195	-0.568	0.344	0.269	0.607	-0.190
AUD	0.054	0.298	-0.478	0.694	0.621	0.833	0.153	0.804	-0.582	-0.630	-0.532	-0.245
PHP	-0.042	-0.266	0.129	-0.635	-0.650	-0.587	0.083	-0.442	0.646	0.593	0.135	0.090
IDR	-0.155	-0.110	-0.188	-0.370	-0.710	-0.208	0.342	-0.313	0.724	0.199	-0.061	0.100
TWD	-0.263	0.063	0.703	-0.490	-0.106	-0.626	-0.676	-0.656	0.228	0.407	0.659	0.375
GBP	-0.264	-0.275	-0.684	-0.049	-0.334	0.450	0.454	0.293	0.435	-0.238	-0.598	0.067
CAD	-0.270	0.095	0.972	-0.574	-0.382	-0.910	-0.763	-0.837	0.290	0.813	0.936	0.490
CNH	-0.279	0.107	0.957	-0.496	-0.450	-0.842	-0.802	-0.763	0.345	0.808	1.000	0.478
CNY	-0.289	0.208	1.000	-0.467	-0.338	-0.857	-0.823	-0.745	0.233	0.806	0.957	0.483
CCN12M	-0.319	0.066	0.784	-0.395	-0.273	-0.582	-0.801	-0.567	0.258	0.566	0.858	0.488
INR	-0.319	-0.111	-0.460	-0.126	-0.558	0.185	0.330	0.083	0.547	0.004	-0.302	0.182
THB	-0.330	-0.068	0.850	-0.728	-0.499	-0.854	-0.727	-0.849	0.520	0.788	0.879	0.529
KRW	-0.339	-0.098	0.462	-0.761	-0.846	-0.736	-0.319	-0.786	0.792	0.679	0.565	0.460
USGG10	-0.374	1.000	0.208	0.249	0.076	-0.022	-0.135	0.072	-0.285	0.057	0.107	0.366
MYR	-0.377	0.101	0.882	-0.527	-0.571	-0.854	-0.725	-0.734	0.442	0.892	0.875	0.527
NZD	-0.465	0.486	0.793	-0.068	-0.118	-0.434	-0.851	-0.328	-0.069	0.573	0.711	0.544
EUR	-0.949	0.366	0.483	-0.523	-0.574	-0.446	-0.638	-0.498	0.466	0.606	0.478	1.000

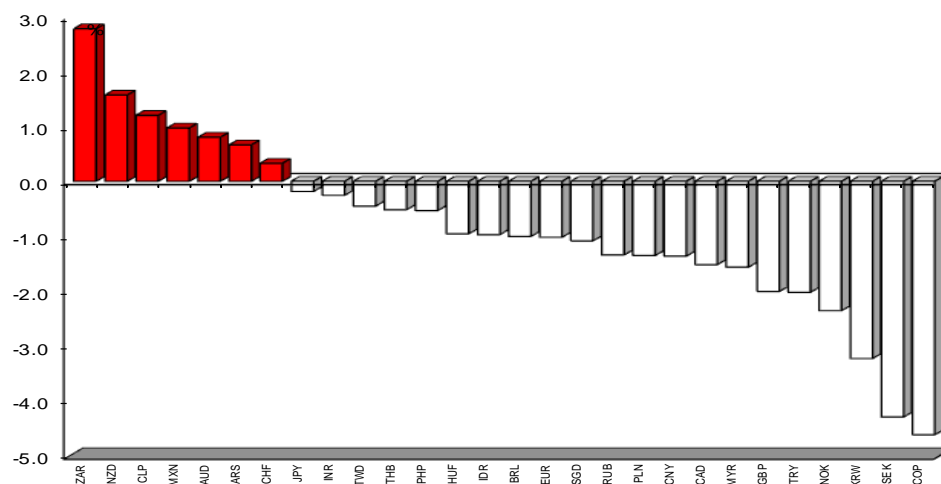
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0851	1.1000	1.1089	1.1100	1.1119
GBP-USD	1.2400	1.2431	1.2471	1.2500	1.2738
AUD-USD	0.7600	0.7601	0.7680	0.7700	0.7712
NZD-USD	0.7300	0.7316	0.7320	0.7341	0.7400
USD-CAD	1.3177	1.3300	1.3393	1.3400	1.3433
USD-JPY	102.83	103.00	103.08	104.00	105.08
USD-SGD	1.3767	1.3800	1.3853	1.3900	1.3964
EUR-SGD	1.5256	1.5300	1.5361	1.5387	1.5400
JPY-SGD	1.3332	1.3400	1.3439	1.3458	1.3500
GBP-SGD	1.7200	1.7228	1.7276	1.7300	1.7457
AUD-SGD	1.0421	1.0600	1.0639	1.0700	1.0718
Gold	1298.34	1300.00	1302.60	1304.07	1343.40
Silver	17.54	18.30	18.32	18.40	18.50
Crude	44.80	44.81	44.85	44.90	46.42

Source: OCBC Bank

FX performance: 1-month change agst USD



Source: Bloomberg

G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
AUD								
NZD								
EUR								
GBP								
JPY								
CAD								
USD								
SGD								

Source: OCBC Bank

Asia FX Heat Map

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

Source: OCBC Bank

FX Trade Ideas

FX Trade Log									
	Inception		B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
	TACTICAL								
1	25-Aug-16		B	USD-SGD	1.3527	1.4040	1.3645	Moderating net inflows in Asia, potential for broad USD uptick	
2	06-Oct-16		B	USD-JPY	103.48	106.95	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	
3	26-Oct-16		B	USD-CAD	1.3356	1.3635	1.3210	Softening crude, dovish BOC, potential USD strength	
4	27-Oct-16		B	AUD-USD	0.7618	0.7805	0.7520	Supportive risk appetite, metals, positioning, and positoning	
	STRUCTURAL								
5	07-Mar-16		B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
6	26-Jul-16		S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
7	25-Oct-16		B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollr prospects, negative space for SGD NEER	
	RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	29-Sep-16	06-Oct-16	B	AUD-USD	0.7685		0.7575	Position for sustained positive risk appetite	-1.44
2	04-Oct-16	07-Oct-16	S	GBP-USD	1.2814		1.2393	Article 50 jitters coupled with pre-NFP USD resilience	3.52
3	14-Jun-16	10-Oct-16	S	USD-SGD	1.3542		1.3718	USD expected to disappoint on the back of the summer FOMCs	-1.08
4	25-Aug-16	10-Oct-16	S	USD-CAD	1.2918		1.3230	Stabilizing global macro, potential traction for oil	-2.36
5	07-Oct-16	19-Oct-16	B	USD-CAD	1.3256		1.3104	Correlation breakdown between CAD and crude, USD support	-1.15
6	04-Jul-16	19-Oct-16	S	USD-JPY	102.58		103.88	Yield differentials to wiegh on the pair, esp if Fed hesitates	-1.59
7	12-Oct-16	19-Oct-16	S	AUD-USD	0.7585		0.7690	"Yield" may be subjugated by dollar	-1.38
8	18-Feb-16	24-Oct-16	B	EUR-USD	1.1137		1.0880	Growing suspicion that the Fed will hesitate	-3.14
9	27-Oct-16	28-Oct-16	B	AUD-USD	0.7618		0.7587	Supportive risk appetite, metals, positioning, and positoning	-0.38
10	05-Oct-16	03-Nov-16	S	EUR-USD	1.1222		1.1125	Fade ECB-taper talk, potential US resilience	1.00
11	12-Oct-16	04-Nov-16	S	GBP-USD	1.2271		1.2464	Fade GBP-USD upticks	-1.50
	Jan-Sep 2016 Return								+8.27

Source: OCBC Bank

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