

**Friday, October 07, 2016**

### FX Themes/Strategy/Trading Ideas

- Ahead of the US NFP (mkt: +175k) during the NY session and in the wake of GBP volatility, expect the greenback to remain a go-to currency in the interim hours. On the US data front, note also the lower than expected initial claims numbers on Thursday with UST yields (and FF-implied odds of a Dec hike) continuing to firm on Thursday. On the risk appetite front, the **FXSI (FX Sentiment Index)** firmed slightly within Risk-Neutral territory.
- We close out our 04 Oct 16 idea to be tactically short **GBP-USD** (spot ref: 1.2814) at 1.2393 on Friday morning in Asia for an implied +3.52% gain.
- Meanwhile, generalized USD strength saw our 29 Sep 16 idea to be tactically long **AUD-USD** (spot ref: 0.7685) being stopped out on Thursday at 0.7575 for an implied -1.44% loss.

### Asian FX

- Expect regional currency pairs to sit on firmer ground against the current dollar backdrop. As such, expect the **ACI (Asian Currency Index)** to seep higher for the fourth consecutive session.
- Elsewhere, **China's foreign reserves** for Sep 16 clocked a lower than expected USD3.166tn while on other front, expect renewed caution after USD-CNH hurdled 6.700 on Thursday (and is trading north of 6.7100 this morning). As noted previously, expect renewed scrutiny on the CFETS RMB Index and the USD-CNY mid-point when China markets return after the golden week break.
- The **SGD NEER** is around familiar levels at -0.25% below its perceived parity (1.3693) this morning although NEER-implied thresholds are firmer on the day – indicating complicit moves higher in the USD-SGD. At current levels, the -0.50% threshold corresponds to 1.3762 while -1.00% is estimated at 1.3831. Intra-day, the bias for the NEER may remain heavy while we note that the USD-SGD has also broken clean above its 200-day MA (1.3706), with the previous push below this MA in March 2016. Intra-day, 1.3750 may elicit some consolidation pending external moves.

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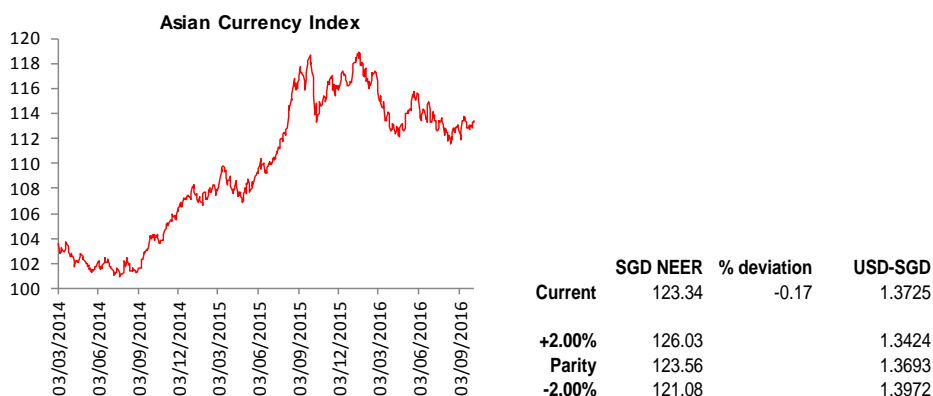
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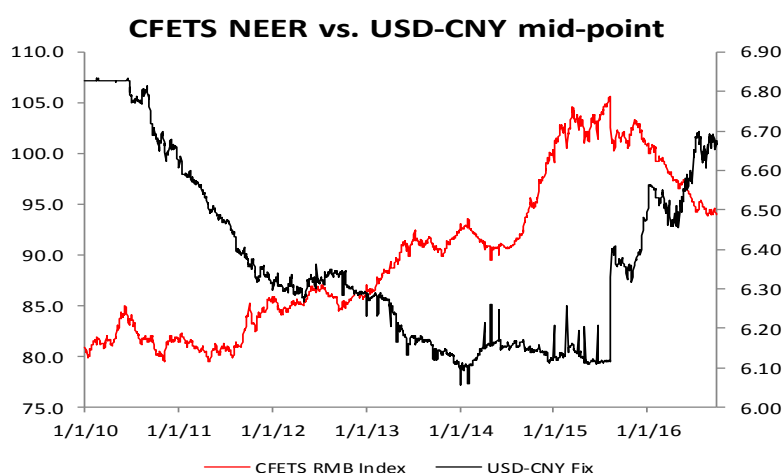
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Source: OCBC Bank



Source: OCBC Bank, Bloomberg

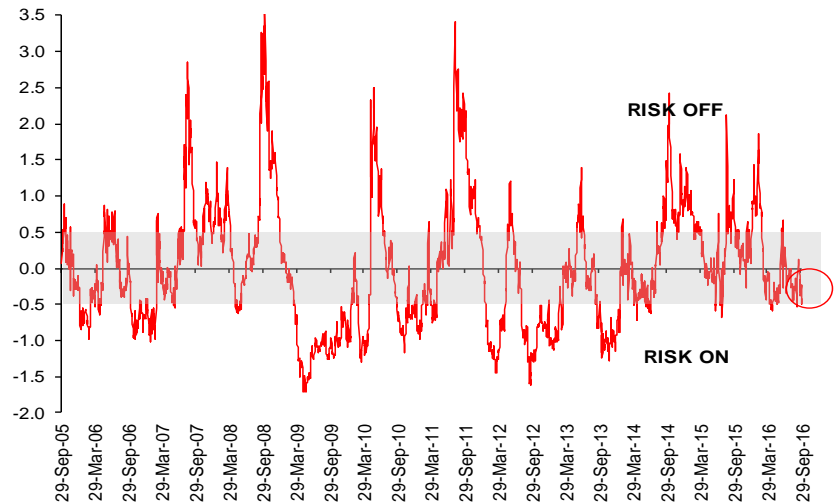
**G7**

- **EUR-USD** Released proceedings from the ECB’s policy meeting coupled with dovish comments from the ECB’s Praet and Constancio are likely to keep the EUR-USD continually top heavy. For today, Praet is again expected on the wires, while Draghi and Coeure are scheduled to make appearances over the weekend at the IMF/World Bank meetings. Expect first support to emerge towards 1.1115 with the 200-day MA (1.1167) now serving as an immediate resistance.
- **USD-JPY** Ahead of the US labor market numbers today, USD-JPY may continue to contemplate the 104.00 ceiling. From a technical perspective, a positive setup for the pair remains in play in the near term after the break out on Tuesday. Reaction to probable US NFP headlines tonight meanwhile are expected to be asymmetric, with neutral to positive prints like to encourage sustained USD resilience, while markets would likely require drastically underperforming numbers to turn short term bearish on the greenback.
- **AUD-USD** Slightly nervous headlines out of the China front coupled with background USD resilience may continue to keep the AUD’s head down. With 0.7600 now serving as a new resistance after the pair’s dip on

Thursday, initial support is expected into 0.7550 before the 100-day MA (0.7520).

- GBP-USD** GBP-USD is expected to remain in the shade following early the morning slump in Asia on Friday. On the sentiment front, investors have not taken too kindly to PM May's criticism of the BOE on Wednesday. Note also an FT article reporting that French PM Hollande demanding tough conditionality on Brexit.

**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

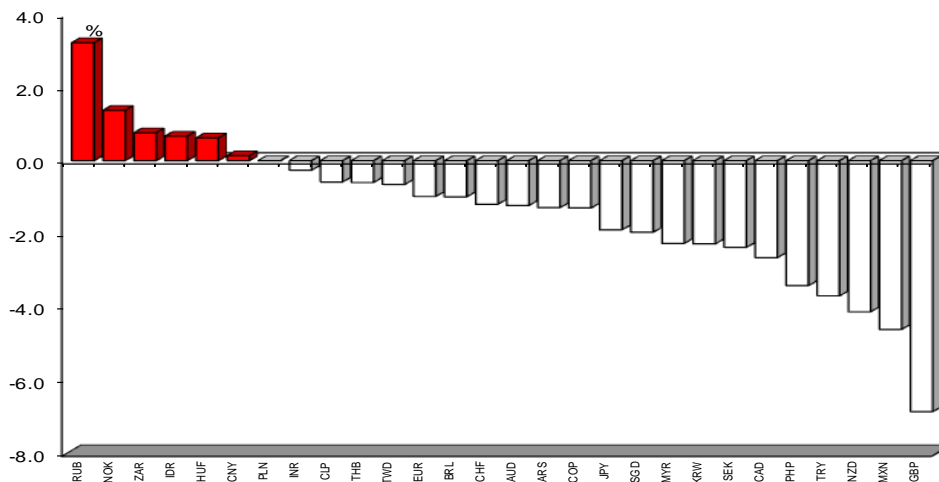
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1118	1.1130	1.1134	1.1167
GBP-USD	1.1841	1.2400	1.2428	1.2500	1.2543
AUD-USD	0.7456	0.7500	0.7579	0.7600	0.7606
NZD-USD	0.7100	0.7125	0.7140	0.7152	0.7200
USD-CAD	1.3200	1.3210	1.3236	1.3272	1.3281
USD-JPY	101.71	103.00	103.70	103.99	104.00
USD-SGD	1.3696	1.3700	1.3727	1.3735	1.3744
EUR-SGD	1.5170	1.5200	1.5279	1.5287	1.5300
JPY-SGD	1.3184	1.3200	1.3239	1.3300	1.3317
GBP-SGD	1.6093	1.7000	1.7060	1.7100	1.7177
AUD-SGD	1.0298	1.0400	1.0404	1.0500	1.0510
Gold	1249.90	1256.02	1257.00	1258.16	1300.00
Silver	17.17	17.30	17.35	17.40	17.40
Crude	45.97	50.40	50.43	50.50	50.63

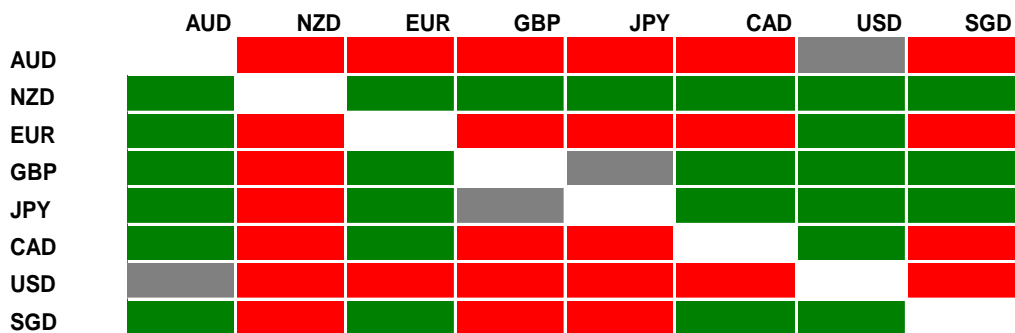
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**FX performance: 1-month change agst USD**



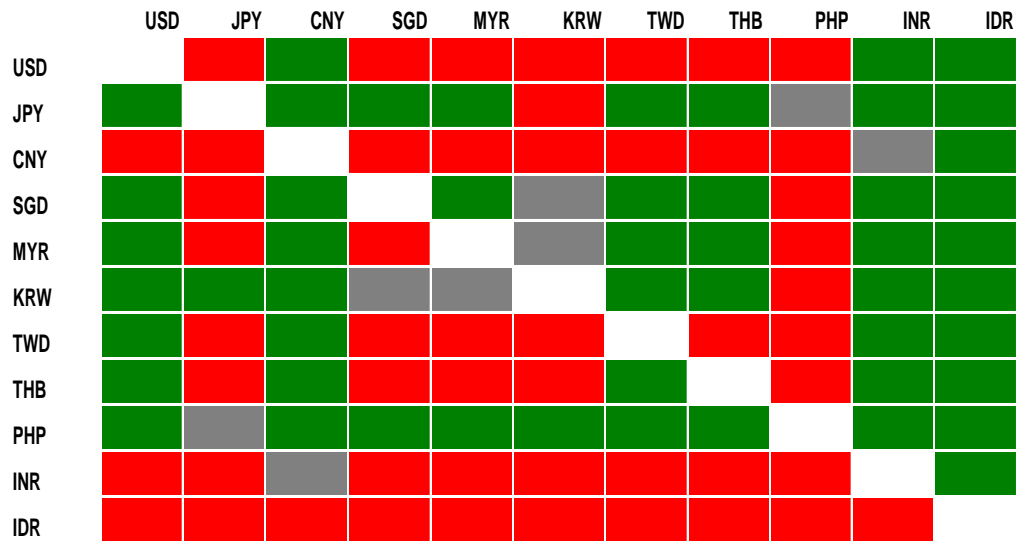
Source: Bloomberg

**G10 FX Heat Map**



Source: OCBC Bank

**Asia FX Heat Map**



Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
<b>TACTICAL</b>								
1	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
2	05-Oct-16	S	EUR-USD	1.1222	1.1025	1.1325	Fade ECB-taper talk, potential US resilience	
3	06-Oct-16	B	USD-JPY	103.48	106.95	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	
<b>STRUCTURAL</b>								
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
6	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
7	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
8	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
9	25-Aug-16	S	USD-CAD	1.2918	1.1960	1.3400	Stabilizing global macro, potential traction for oil	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclicals, search for yield	8.37
2	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
3	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
4	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.36
5	25-Aug-16	29-Sep-16	B	GBP-USD	1.3210	1.3040	Moderating short term pessimism	-1.32
6	29-Sep-16	04-Oct-16	S	USD-JPY	101.65	101.77	Skepticism towards Fed/BOJ	-0.14
7	29-Sep-16	06-Oct-16	B	AUD-USD	0.7685	0.7575	Position for sustained positive risk appetite	-1.44
8	04-Oct-16	07-Oct-16	S	GBP-USD	1.2814	1.2393	Article 50 jitters coupled with pre-NFP USD resilience	3.52
<b>Jan-Aug 2016 Return</b>								<b>+7.80</b>

Source: OCBC Bank

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