

Wednesday, March 09, 2016

FX Themes/Strategy/Trading Ideas

- Following a slight haze from risk aversion on Tuesday, investors may remain slightly cautious with respect to risk appetite with the cyclicals likely to be on the defensive in favor of the JPY and the USD. Look towards central bank guidance in the coming sessions for further cues, with the BOC, RBNZ, and the ECB on tap.
- Note that with global equities tanking and commodities consolidating lower, flight to safety (note lower UST yields) the **FXSI (FX Sentiment Index)** ticked higher within Risk-Neutral territory on Tuesday.
- For today, the **Bank of Canada** (1500 GMT) is expected to stand pat at 0.50%, while the **RBNZ** (2000 GMT) is also expected to remain static at 2.50%.

Asian FX

- With appetite towards EM slightly unsteady (note disappointing China trade numbers on Tuesday with exports contracting -20.6% yoy), the **ACI (Asian Currency Index)** may be expected to search higher for the second consecutive session today. For today, expect **BNM** to remain static at 3.25% at its policy meeting.
- Expect the **SGD NEER** to refrain from testing higher into positive territory today in view of slight investor caution favoring the greenback. The index is currently around -0.42% below its perceived parity (1.3802) with NEER-implied USD-SGD thresholds also a touch firmer on the day. Initial support is seen on dips towards 1.3800 with the 1.3900/30 region likely to absorb on upside ticks pending further news flow.
- The **USD-CNY mid-point** was fixed higher this morning at 6.5106 compared to 6.5041 on Tuesday. This brings the CFETS RMB Index to 99.10 from 99.03, in line with the overnight movement in the basket's constituent currencies. At this juncture, the fixes continue to demonstrate official willingness to permit the Index to respond to global currency movements within a broad intent to maintain the NEER's stability.

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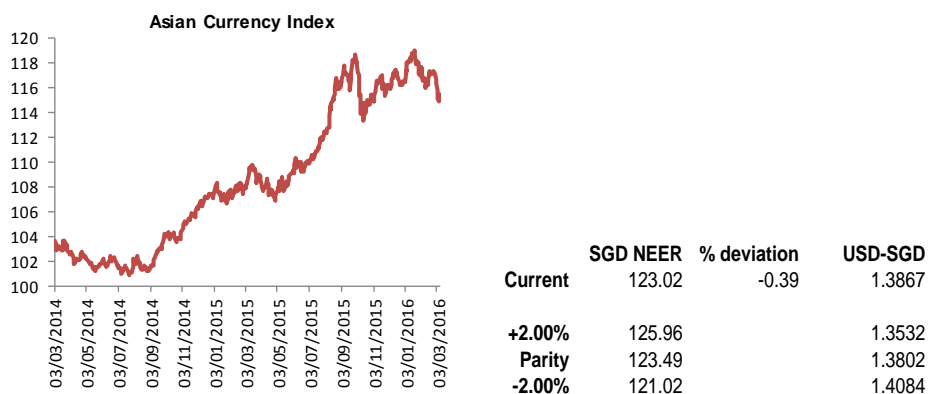
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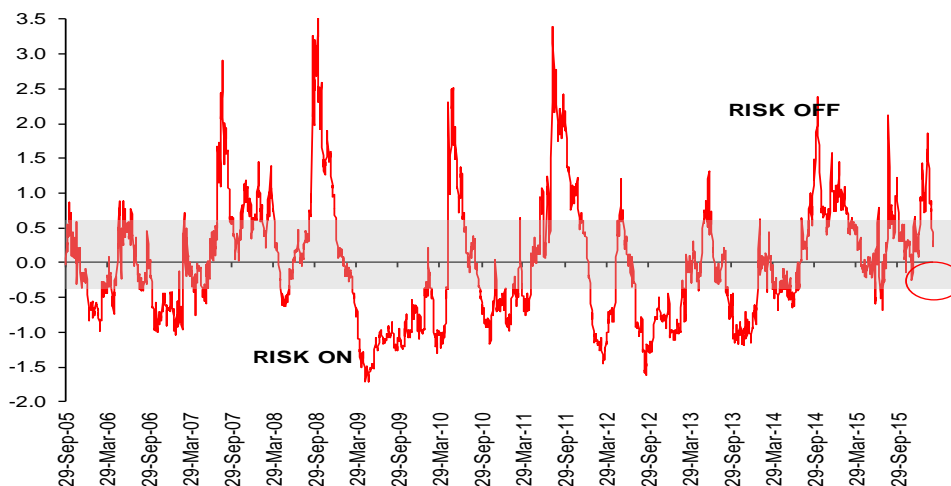


Source: OCBC Bank

G7

- **EUR-USD** Expectations surrounding the ECB meeting may continue to dominate price action with the pair coming off intra-day highs on Tuesday despite better than expected German Jan industrial production (+3.3% mom). The 200-day MA (1.1045) may cap ahead of the ECB while the 55-day MA (1.0976) and 1.0960 may present interim waypoints on the way down.
- **USD-JPY** USD-JPY may remain colored by shades of risk aversion intra-day, with 114.00 expected to be a hard ceiling and with risks tilted towards 112.00 instead if investors remain skittish.
- **AUD-USD** The AUD-USD may loiter around current levels with little leads from Jan investment lending numbers this morning (-1.6%). Further capitulation into the 0.7370/00 zone we think may still be on the cards pending risk appetite fluctuations and with the commodity complex looking consolidative.
- **GBP-USD** We look for some data-driven risk from the January industrial production numbers due later today with the pair slipping on Tuesday despite supportive comments from the BOE's Weale (note the BOE's Carney highlighting Brexit risks. The pair may attempt to cling to the 1.4200 handle in the near term and slightly more visible support is still expected into the 1.4085 region.

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

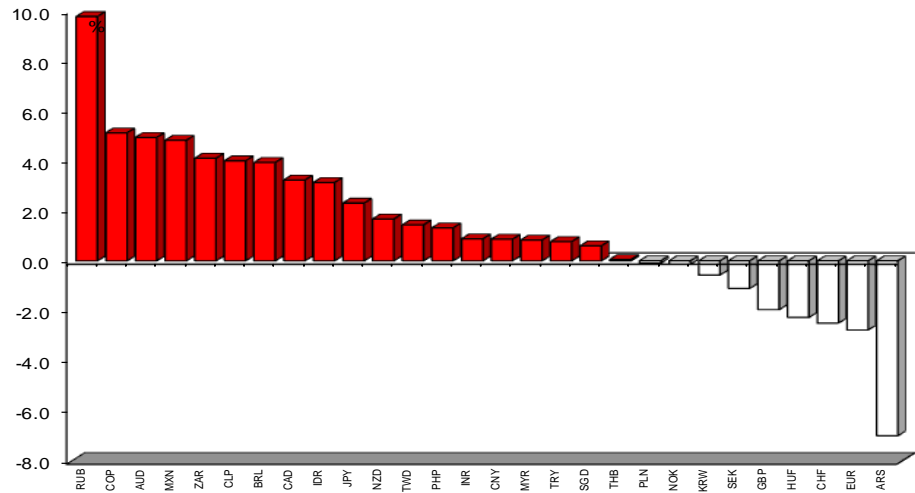
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0900	1.0978	1.0981	1.1000	1.1044
GBP-USD	1.3836	1.4100	1.4190	1.4200	1.4337
AUD-USD	0.7247	0.7400	0.7418	0.7472	0.7485
NZD-USD	0.6625	0.6700	0.6743	0.6799	0.6800
USD-CAD	1.3210	1.3262	1.3294	1.3300	1.3307
USD-JPY	111.83	112.00	112.52	113.00	114.63
USD-SGD	1.3774	1.3800	1.3871	1.3900	1.3968
EUR-SGD	1.5073	1.5200	1.5231	1.5300	1.5425
JPY-SGD	1.2174	1.2300	1.2327	1.2400	1.2568
GBP-SGD	1.9455	1.9600	1.9682	1.9700	2.0259
AUD-SGD	1.0117	1.0200	1.0290	1.0300	1.0333
Gold	1194.77	1200.00	1256.40	1275.73	1280.70
Silver	14.97	15.20	15.25	15.30	15.88

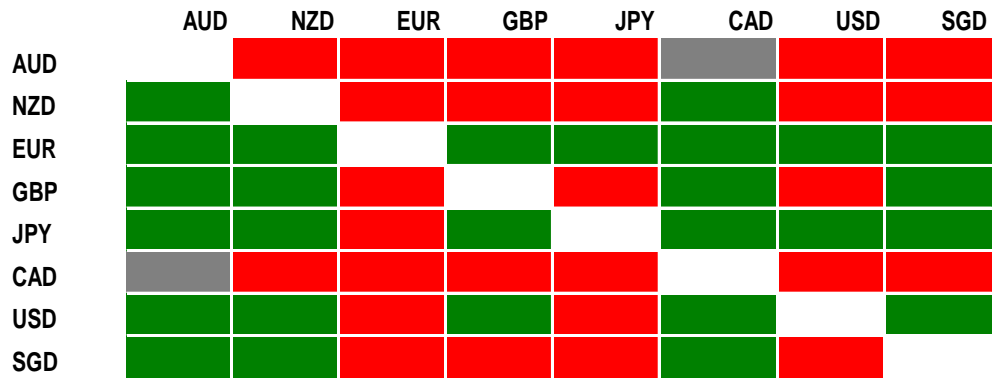
Source: OCBC Bank

FX performance: 1-month change agst USD



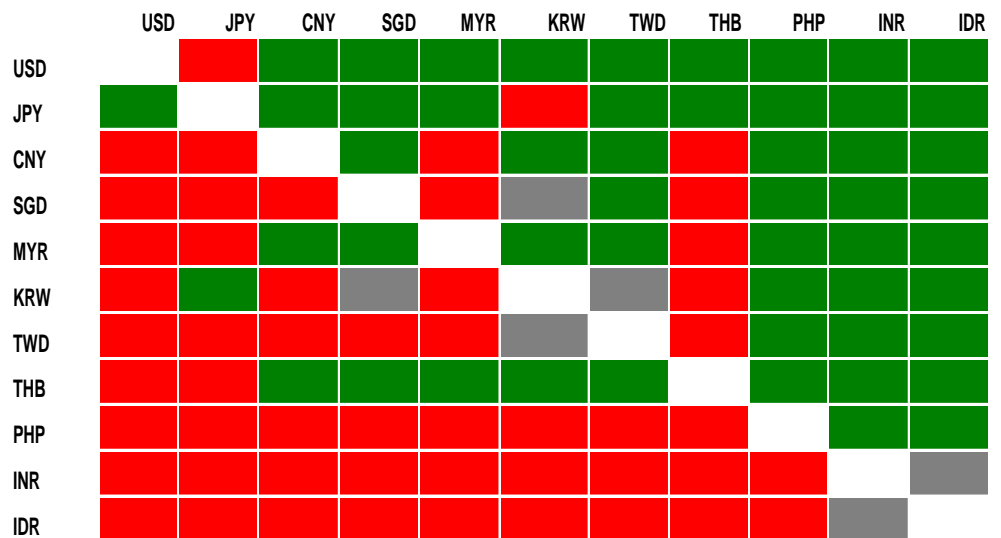
Source: Bloomberg

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	
1	29-Feb-16	S	EUR-USD	1.0923	1.0640	1.1070	Contrasting short term data streams between EZ and US	
2	29-Feb-16	S	USD-CAD	1.3533	1.3135	1.3735	Bottoming crude	
3	03-Mar-16	B	AUD-USD	0.7284	0.7555	0.7145	Stabilizing commodities/equities, coupled with recent upside aussie data surprises.	
4	04-Mar-16	S	USD-SGD	1.3881	1.3630	1.4010	Brightening risk appetite, vulnerable broad dollar	
STRUCTURAL								
5	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
6	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
7	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
8	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
9	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	29-Dec-15	10-Feb-16	S	USD-JPY	120.25	113.45	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY	+5.86
2	10-Feb-16	11-Feb-16	S	USD-JPY	114.50	112.62	Risk aversion + weakened dollar narrative	+1.67
3	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158	1.4035	Dollar may stumble further post-Dudley	+0.85
4	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888	1.1045	Risk of Fed/dollar "disappointment"	+1.42
5	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45
6	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
7	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45

Source: OCBC Bank

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