

**Monday, November 14, 2016**

**FX Themes/Strategy/Trading Ideas – The week ahead**

- Driven by US yields, the USD may continue to grind higher across the board at the onset of the week while concomitant jitters towards any potential fallout from a Trump administration would be expected to keep the cyclicals/EM/Asian currencies under downside pressure.
- On the calendar and apart from the data stream, expect investors to focus on the swath of **Fed speakers** this week (Kaplan, Lacker and Williams today) with **Yellen** appearing before the Joint Economic Committee on Thursday. Crucially, investors will be on the lookout for any reactionary (or not) comments in view of the new political climate. Note that the Fed's Fischer stated on Friday that the Fed is monitoring the rise in long term US yields and will adjust policy accordingly. He further added that the case for gradual rate hikes appears strong enough.
- In the coming sessions, if the Fed's forward guidance remains unperturbed and continues to guide markets towards a probable December hike, expect USD resilience to persist.
- Outside of the US sphere, central bank rhetoric may also bear scrutiny for any reaction to the imminent new US political realities. On this front, the **ECB's Draghi** is scheduled to appear on Monday and Thursday, with a host of other ECB officials throughout the week. Elsewhere, the **BOE's Carney** is also due to speak on Tuesday.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** inched slightly lower but again, this belied the continued heightening risk premiums in EM space. In the current environment, we continue to focus on the latter.
- Amid broad USD resilience and jitters surrounding EM/Asia post the US elections, we undertake a tactical long **USD-SGD**. With a spot ref at 1.4172 on Monday, we target 1.4375 and place a stop at 1.4070.

**Asian FX**

- Expect regional central banks to remain nervous this week with Asian equities (outside of the TPOIX and Nikkei) getting off to a negative start early Monday once again. As such, the **ACI (Asian Currency Index)** is expected to be invariably higher. On the central bank front, **Bank Indonesia** is expected to remain static at 4.75% on Thursday.
- **SGD NEER:** The **SGD NEER** is slightly lower on the day at around -1.07%

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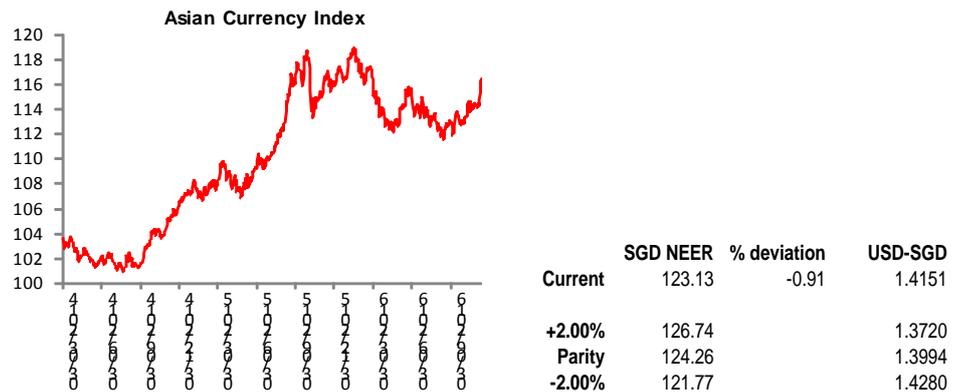
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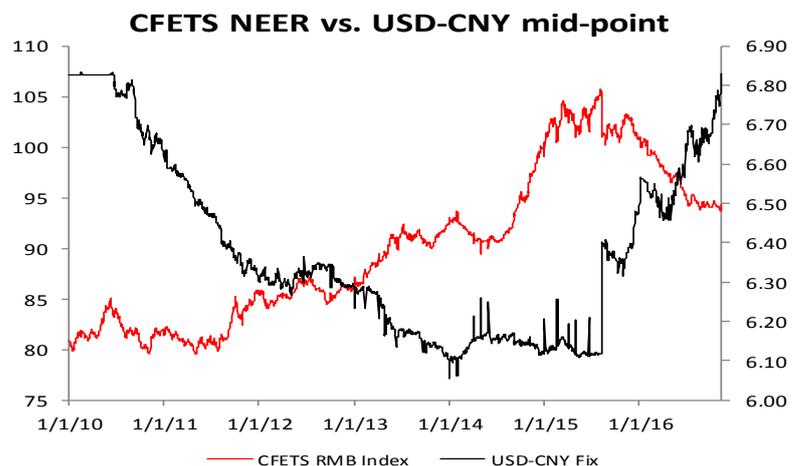
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below its perceived parity (1.3994) and against the backdrop of a supported dollar complex, NEER-implied USD-SGD thresholds are also firmer on the day. At current levels, the -1.00% threshold is estimated at 1.4136 and -1.50% at 1.4208 with the nearest way point for the Index expected at around -1.20%. Volatility indicators (for both the NEER and spot) are beginning to light up with USD-SGD looking slightly stretched on the upside in the short term. However, if the pair manages to base build around the 1.4105 region, scope for 1.4195 may remain on the cards.



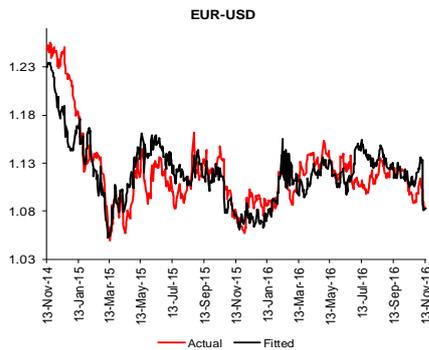
Source: OCBC Bank

- CFETS RMB Index:** Today, the authorities held the **CFETS RMB Index** relatively constant at 94.33 (essentially unchanged from Friday), resulting in the USD-CNY firming to higher than expected 6.8291 from 6.8115. Going ahead, if the official stance remains one of ensuring stability of the Index amidst the current USD resilience, expect the USD-CNY mid-points to react higher as a consequence.



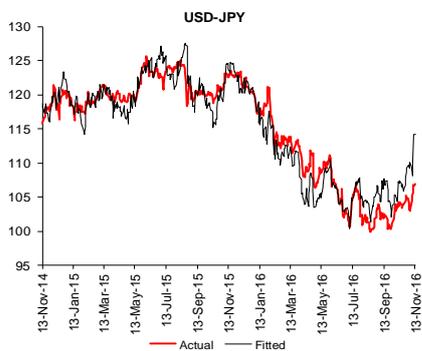
Source: OCBC Bank, Bloomberg

**G7**



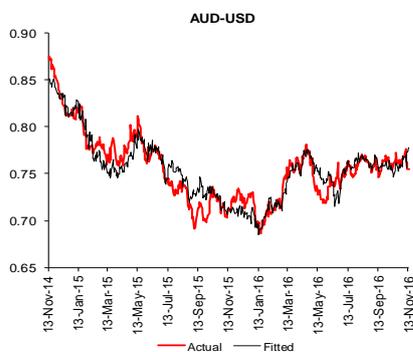
Source: OCBC Bank

- EUR-USD** The EUR-USD may continue to fade in the near term if investors continue to fret over US-EZ relations and potential for internal EU political tensions. In the interim, implied short term valuations continue to point lower and if the 1.0800 support is taken out on a sustained basis, 1.0745 and 1.0700 will beckon. We stay top heavy in the near term.



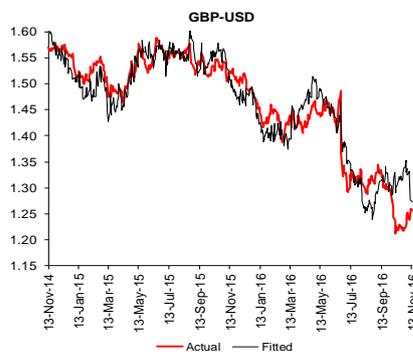
Source: OCBC Bank

- USD-JPY** Near term core views remain unchanged in our view and USD-JPY sensitivity to US-JP yield differentials is expected to remain significant. Short-term valuations meanwhile continue to lift higher as a result with USD-JPY now sitting atop its 200-day MA (106.52). Some resistance is expected into 107.45 given also some official Japanese discomfort with respect to USD-JPY volatility.



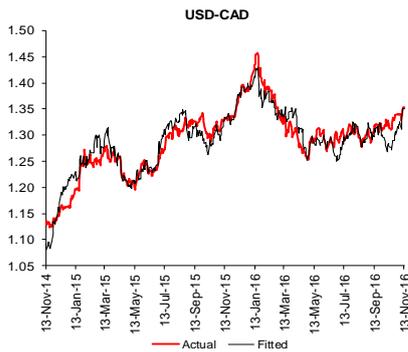
Source: OCBC Bank

- AUD-USD** This week, RBA November meeting minutes are scheduled to be released on Tuesday and Australian Oct labor market numbers are due on Thursday. In the interim, AUD-USD may continue to contemplate the 0.7500 floor with the 200-day MA (0.7508) also in close proximity. In a nutshell, investors may attempt to continue to angle for the downside.



Source: OCBC Bank

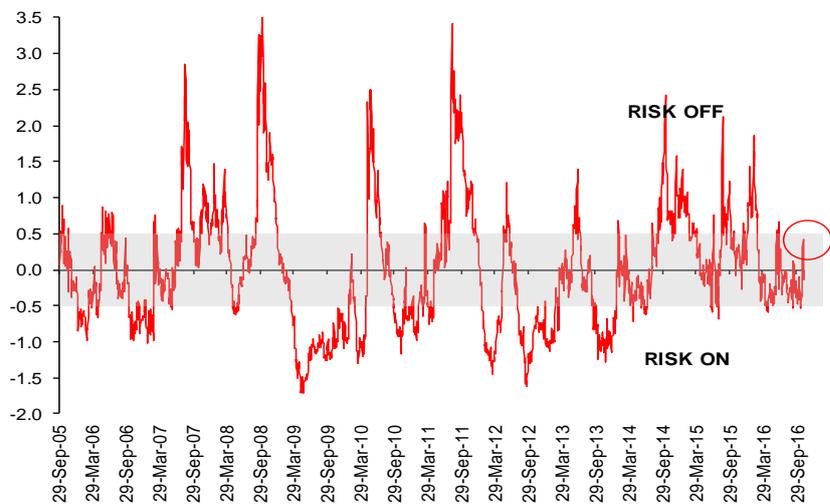
- GBP-USD** With the focus turning towards potential political tensions, the GBP may continue to benefit at the margins. Meanwhile, the UK data calendar is also fairly loaded this week with Carney due to make an appearance on Tuesday. A broad 1.2450-1.2650 range may prevail in the interim.



- **USD-CAD** Risks for the USD-CAD may remain tilted higher on US political concerns and with crude still on a slippery slope. Short-term valuations are also suggestive of further upside potential with 1.3600 now coming into view.

Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.513	0.571	0.825	0.307	0.284	0.745	0.157	-0.862	-0.433	0.532	-0.972
CHF	0.802	0.006	0.048	0.675	0.679	0.716	0.296	0.670	-0.913	-0.618	-0.027	-0.849
SGD	0.784	0.895	0.738	0.738	-0.252	-0.283	0.909	-0.360	-0.532	0.141	0.761	-0.752
JPY	0.745	0.902	0.842	0.729	-0.317	-0.335	1.000	-0.436	-0.407	0.115	0.856	-0.668
CNY	0.571	0.803	1.000	0.469	-0.435	-0.521	0.842	-0.540	-0.163	0.107	0.940	-0.442
CNH	0.532	0.878	0.940	0.461	-0.596	-0.595	0.856	-0.660	-0.102	0.173	1.000	-0.440
USGG10	0.513	1.000	0.803	0.502	-0.654	-0.634	0.902	-0.677	-0.129	0.452	0.878	-0.457
TWD	0.499	0.117	0.097	0.345	0.264	0.269	0.286	0.296	-0.472	0.119	-0.043	-0.485
CAD	0.460	0.554	0.196	0.186	-0.157	-0.100	0.540	-0.247	-0.187	0.443	0.317	-0.424
IDR	0.397	0.030	0.132	0.108	0.168	0.076	0.123	0.139	-0.271	0.140	-0.077	-0.363
MYR	0.386	0.903	0.540	0.434	-0.625	-0.605	0.787	-0.624	-0.066	0.611	0.666	-0.360
KRW	0.347	0.730	0.367	0.195	-0.464	-0.445	0.622	-0.520	-0.034	0.698	0.480	-0.298
PHP	0.343	0.709	0.809	-0.014	-0.609	-0.661	0.592	-0.731	0.190	0.353	0.804	-0.197
THB	0.309	0.844	0.684	0.016	-0.811	-0.743	0.681	-0.787	0.235	0.710	0.753	-0.196
CCN12M	0.208	0.821	0.724	0.291	-0.727	-0.710	0.730	-0.721	0.120	0.594	0.769	-0.106
INR	0.180	0.826	0.632	0.275	-0.716	-0.748	0.646	-0.704	0.080	0.687	0.638	-0.128
GBP	-0.004	0.731	0.446	0.060	-0.756	-0.865	0.476	-0.828	0.347	0.625	0.593	0.000
NZD	-0.715	-0.507	-0.362	-0.310	-0.024	-0.117	-0.539	0.025	0.482	-0.095	-0.384	0.652
AUD	-0.731	-0.138	-0.033	-0.392	-0.530	-0.591	-0.331	-0.448	0.701	0.241	-0.009	0.709
EUR	-0.972	-0.457	-0.442	-0.88	-0.381	-0.358	-0.668	-0.252	0.936	0.493	-0.44	1.000

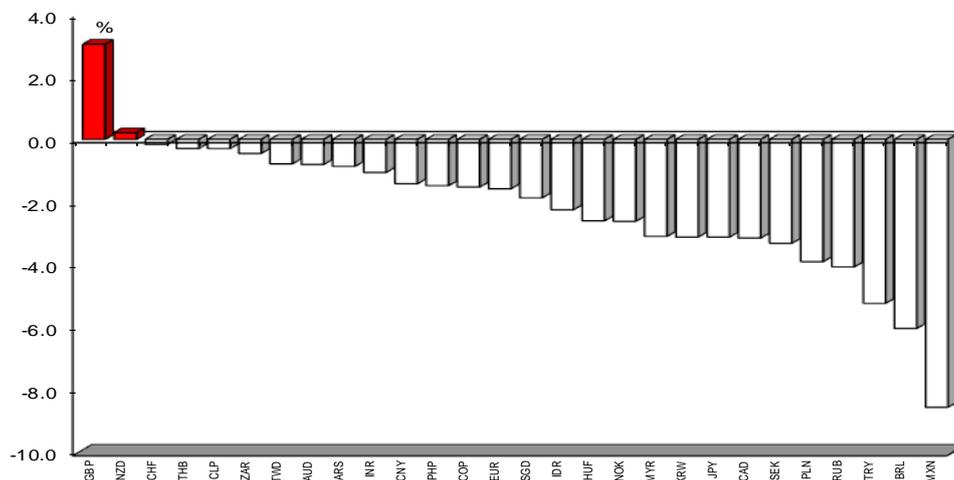
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0773	1.0777	1.0796	1.0800	1.1090
<b>GBP-USD</b>	1.2065	1.2500	1.2547	1.2593	1.2600
<b>AUD-USD</b>	0.7507	0.7525	0.7545	0.7600	0.7611
<b>NZD-USD</b>	0.7000	0.7035	0.7090	0.7100	0.7230
<b>USD-CAD</b>	1.3225	1.3500	1.3562	1.3564	1.3583
<b>USD-JPY</b>	106.90	107.00	107.41	107.59	108.00
<b>USD-SGD</b>	1.4100	1.4109	1.4158	1.4180	1.4200
<b>EUR-SGD</b>	1.5246	1.5255	1.5285	1.5300	1.5419
<b>JPY-SGD</b>	1.3152	1.3155	1.3180	1.3200	1.3336
<b>GBP-SGD</b>	1.7699	1.7700	1.7764	1.7800	1.8078
<b>AUD-SGD</b>	1.0522	1.0600	1.0683	1.0700	1.0748
<b>Gold</b>	1200.00	1212.80	1218.10	1228.62	1281.90
<b>Silver</b>	17.04	17.20	17.21	17.30	17.64
<b>Crude</b>	43.03	43.30	43.31	43.40	46.53

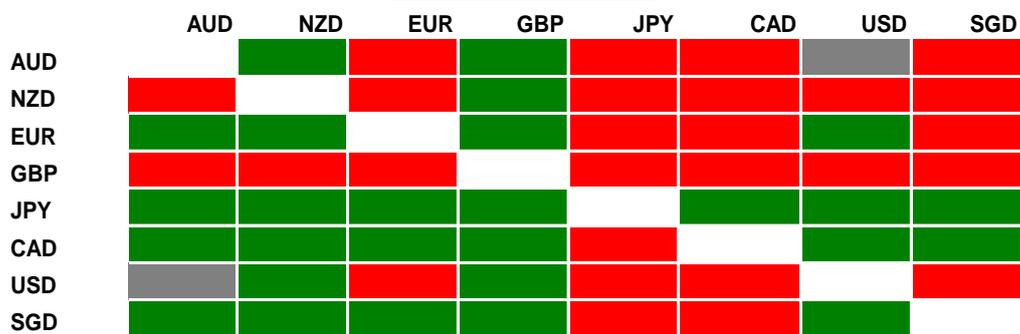
Source: OCBC Bank

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



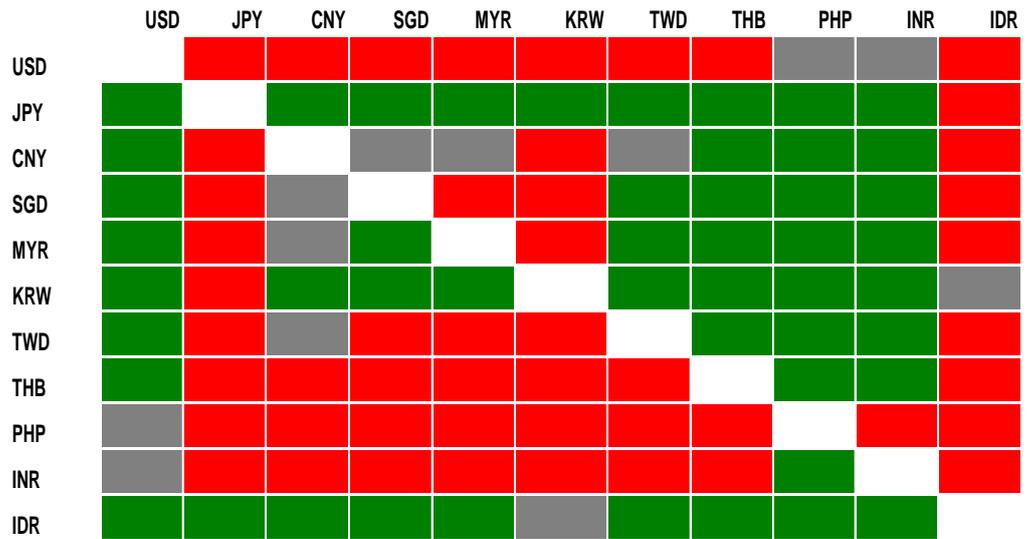
Source: Bloomberg

**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	
<b>TACTICAL</b>								
1	26-Oct-16	B	USD-CAD	1.3356	1.3635	1.3210	Softening crude, dovish BOC, potential USD strength	
2	14-Nov-16	B	USD-SGD	1.4172	1.4375	1.4070	USD strength and EM jitters post-US elections	
<b>STRUCTURAL</b>								
3	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
4	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	07-Oct-16	19-Oct-16	B	USD-CAD	1.3256	1.3104	Correlation breakdown between CAD and crude, USD support	-1.15
2	04-Jul-16	19-Oct-16	S	USD-JPY	102.58	103.88	Yield differentials to weigh on the pair, esp if Fed hesitates	-1.59
3	12-Oct-16	19-Oct-16	S	AUD-USD	0.7585	0.7690	"Yield" may be subjugated by dollar	-1.38
4	18-Feb-16	24-Oct-16	B	EUR-USD	1.1137	1.0880	Growing suspicion that the Fed will hesitate	-3.14
5	27-Oct-16	28-Oct-16	B	AUD-USD	0.7618	0.7587	Supportive risk appetite, metals, positioning, and positioning	-0.38
6	05-Oct-16	03-Nov-16	S	EUR-USD	1.1222	1.1125	Fade ECB-taper talk, potential US resilience	+1.00
7	12-Oct-16	04-Nov-16	S	GBP-USD	1.2271	1.2464	Fade GBP-USD upticks	-1.50
8	25-Aug-16	07-Nov-16	B	USD-SGD	1.3527	1.3866	Moderating net inflows in Asia, potential for broad USD uptick	+2.39
9	08-Nov-16	09-Nov-16	B	AUD-USD	0.7708	0.7610	Accumulating risk appetite despite USD resilience	-1.29
10	06-Oct-16	09-Nov-16	B	USD-JPY	103.48	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	-1.60
<b>Jan-Oct 2016 Return</b>								<b>+3.91</b>

Source: OCBC Bank

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