

Tuesday, March 15, 2016

FX Themes/Strategy/Trading Ideas

- Expect the markets to remain on over watch today after the broad dollar consolidated slightly higher against its counterparts overnight. Investor sentiment remains fairly sanguine despite the overnight dip in US equities as Asia starts on a positive note and with the **FXSI (FX Sentiment Index)** dipping lower (despite softer crude and commodities) within Risk-Neutral territory on Monday.
- Nonetheless, as mentioned yesterday, with investors having increasingly attempted to heighten odds of upcoming Fed rate hikes, dollar resilience may continue to creep into the market as we head into the FOMC outcome on Wednesday.

Asian FX

- EM currencies were shaken out slightly (especially the ZAR and the BRL on idiosyncratic/domestic news flow) on Monday and the **ACI (Asian Currency Index)** is expected to continue to bounce higher (i.e., stronger broad dollar) in sympathy with the majors and especially in the wake of this morning's USD-CNY fix.
- This morning, the **SGD NEER** is still anchored around its perceived parity (1.3766) with NEER-implied USD0SGD thresholds slightly higher on the day. At current levels, the +0.50% threshold corresponds to around 1.3700., where a near term natural floor for the pair may reside intra-day.
- The **USD-CNY mid-point** was fixed significantly higher than expected at 6.5079 compared to 6.4913 on Monday. This leaves the CFETS RMB Index at 98.73 (98.73 yesterday), lower than implied by overnight movements in the basket's constituents. At the risk of extrapolating from short term static, today's softer than expected index may be an official intent to keep the basket suppressed in view of the underlying fundamentals. At current levels, the CFETS RMB Index is down -5.55% yoy and -2.13% ytd.
- Elsewhere capital outflow concerns may be assuaged slightly with the **PBOC** registering CNY227.9bn in forex sales in February compared to CNY644.5bn in January.

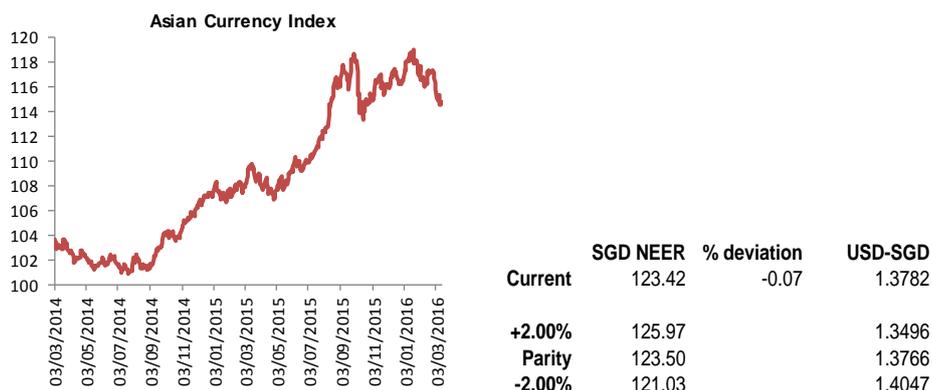
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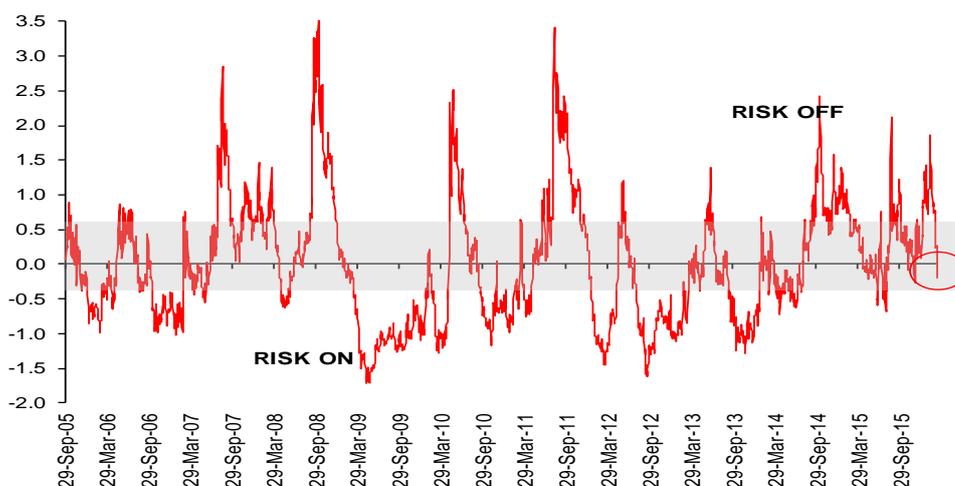


Source: OCBC Bank

G7

- **EUR-USD** The EUR-USD paid little heed to the better than expected Jan industrial production numbers and edged lower in response to the firmer broad dollar. In the interim, the pair may attempt to gravitate towards its 200-day MA (1.1043) if 1.1100 is lost.
- **USD-JPY** The BOJ is expected to stand pat at its policy meeting today but expect all eyes on Kuroda's press conference at 0630 GMT. Expect range bound behavior as we head into the BOJ MPC. Barring any surprises on this front, investors may have to look to the FOMC instead for further directionality.
- **AUD-USD** This morning, the RBA meeting minutes yielded little in the way of additional cues but the AUD-USD may capitulate lower ahead of the FOMC and if investor sentiment grows cautious. Expect a near term cap towards 0.7530 with initial support expected into 0.7450.
- **GBP-USD** Apart from external headline risks, the UK labor market numbers tomorrow and the BOE MPC may further induce volatility in the coming sessions. At this juncture, note the continued failure on the part of the GBP-USD to overcome its 55-day MA (1.4345), potentially diluting its upside impetus slightly. On the downside, 1.4200 may be expected to cushion on initial dips.

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

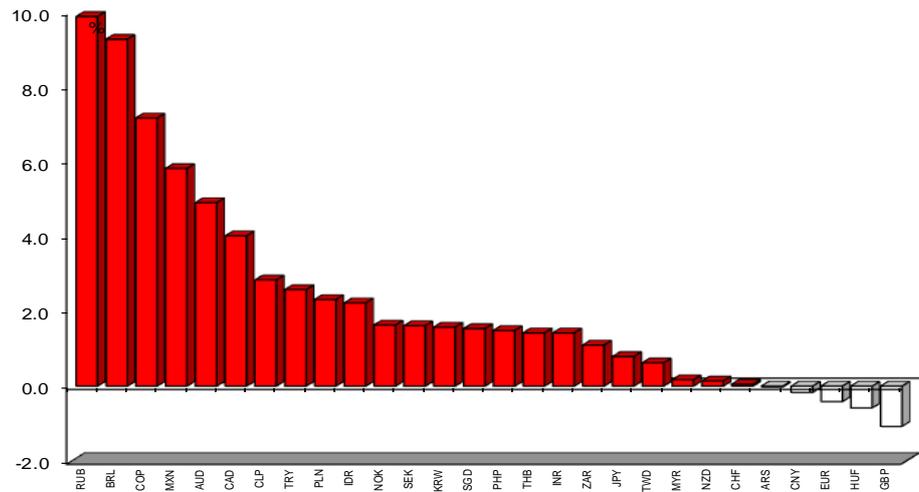
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1042	1.1100	1.1110	1.1200	1.1209
GBP-USD	1.3836	1.4200	1.4279	1.4300	1.4305
AUD-USD	0.7244	0.7400	0.7487	0.7500	0.7594
NZD-USD	0.6600	0.6616	0.6655	0.6700	0.6790
USD-CAD	1.3168	1.3200	1.3294	1.3300	1.3323
USD-JPY	112.10	113.00	113.70	114.00	114.46
USD-SGD	1.3699	1.3700	1.3784	1.3800	1.3973
EUR-SGD	1.5044	1.5300	1.5314	1.5400	1.5428
JPY-SGD	1.1991	1.2100	1.2124	1.2195	1.2200
GBP-SGD	1.9455	1.9600	1.9682	1.9700	2.0096
AUD-SGD	1.0116	1.0300	1.0319	1.0400	1.0414
Gold	1200.00	1203.35	1228.40	1278.91	1287.80
Silver	14.94	15.30	15.32	15.40	15.82

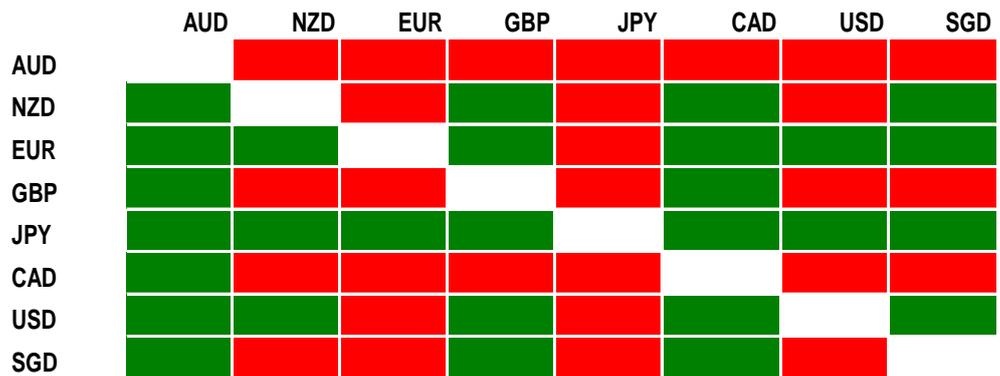
Source: OCBC Bank

FX performance: 1-month change agst USD



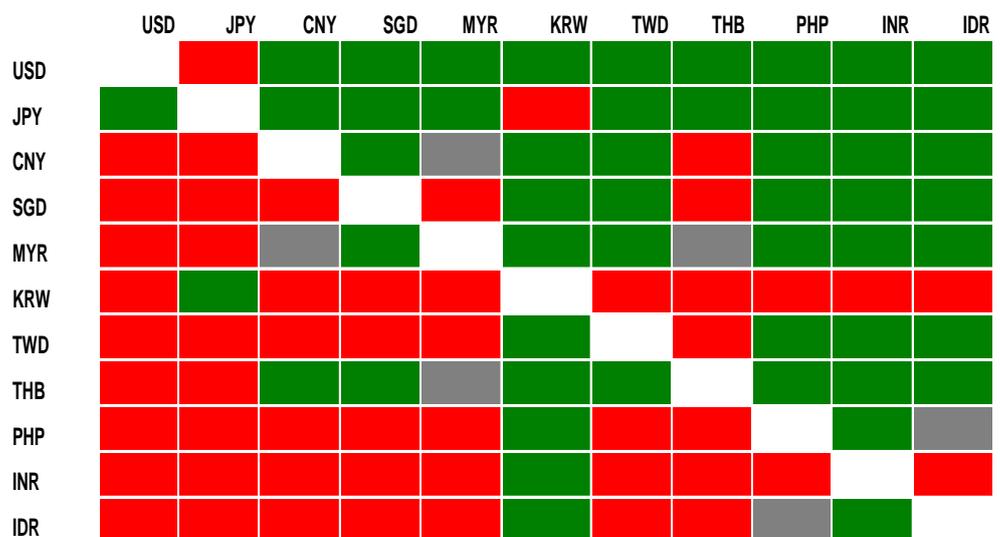
Source: Bloomberg

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	USD-CAD	1.3533	1.3135	1.3735	Bottoming crude	
2	03-Mar-16	B	AUD-USD	0.7284	0.7835	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie data surprises.	
3	04-Mar-16	S	USD-SGD	1.3881	1.3630	1.4010	Brightening risk appetite, vulnerable broad dollar	
4	14-Mar-16	B	GBP-USD	1.4380	1.4770	1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	
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	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158	1.4035	Dollar may stumble further post-Dudley	+0.85
2	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888	1.1045	Risk of Fed/dollar "disappointment"	+1.42
3	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45
4	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
5	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45
6	29-Feb-16	10-Mar-16	S	EUR-USD	1.0923	1.1070	Contrasting short term data streams between EZ and US	-1.29

Source: OCBC Bank

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