

**Friday, November 18, 2016**

**FX Themes/Strategy/Trading Ideas – Relatively soon**

- With Yellen essentially telegraphing a December rate hike and US data points supportive (including better than expected Oct housing starts), the greenback climbed across the board with the DXY continuing to make new year-to-date highs. Risk appetite meanwhile remained fairly static in the face of positive global equities, with the **FXSI (FX Sentiment Index)** inching slightly lower within Risk-Neutral territory.
- Into the end of the week, the latest price action may continue to extend (firmer USD accompanied by bear steepening UST curve) with policy dichotomy (or more aptly, policy differentials) on investors' screens.
- Post-Yellen and with the USD-JPY finally clearing above 110.00, we initiate a tactical long **USD-JPY**. With a spot ref at 110.19, we target 113.90 and place a stop at 108.30.
- With the potential negative shocks (on the cyclical) from the incoming US administration finally sinking in amidst an environment of USD strength, we look to a tactical short **AUD-USD**. We look for a 0.7190 objective in the short-term (from a spot ref of 0.7397) and place a stop at 0.7505.

**Asian FX**

- In the current environment, expect the **ACI (Asian Currency Index)** to continue to probe higher on the back of broad USD resilience, higher US yields, and nervousness surrounding Trump's posture towards international trade. In essence, the ACI continues to shadow the DXY. On the central bank front, **Bank Indonesia** remained static at 4.75% on Thursday as expected.
- **SGD NEER**: The **SGD NEER** is softer on the day at around -0.42% below its perceived parity (1.4165). Note that the USD-SGD's climb on Thursday was in concert with the weakening of the basket's constituent currencies, with the NEER still in familiar territory. In the face of potential USD resilience, expect risks towards -0.50% (1.4237) with -1.00% at 1.4308. If 1.4200 continues to hold, expect investors to eye 1.4272.

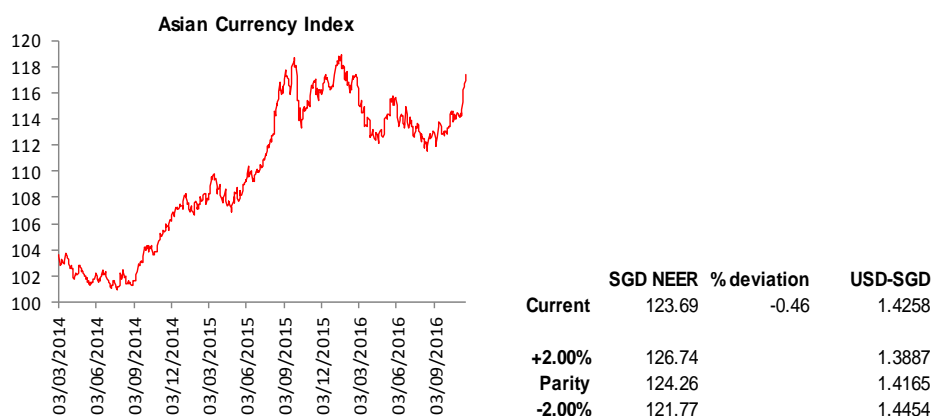
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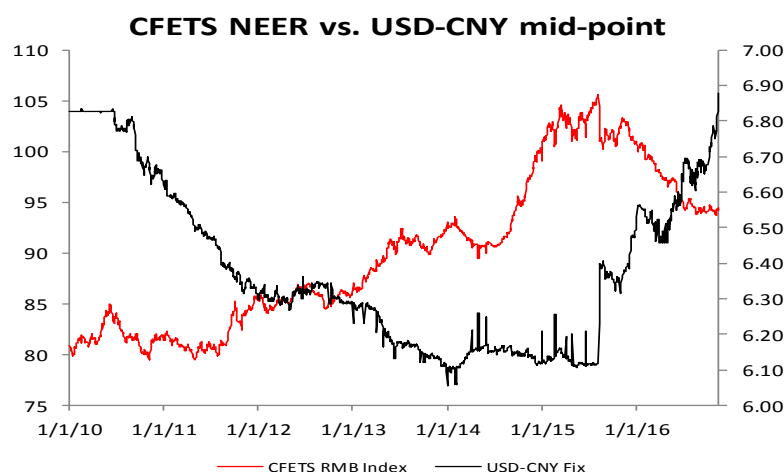
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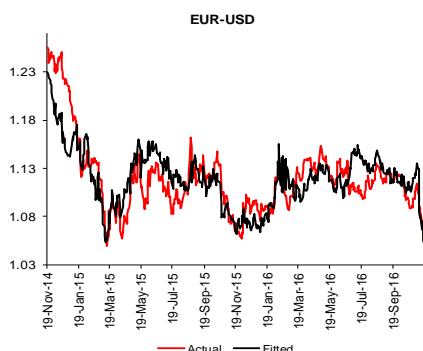


- CFETS RMB Index:** In what could be perceived as an attempt to stave off excessive broad depreciation expectations, the **CFETS RMB Index** jumped (but within historical parameters) to 94.54 on Friday from 94.20 on Thursday. This saw the USD-CNY mid-point underperforming prior expectations at a lower than expected 6.8796, compared to 6.8692 yesterday. In the immediate term, previous rule-based USD-CNY mid-point forecasts may take a back seat if the authorities focus on tempering the USD-CNY's climb.

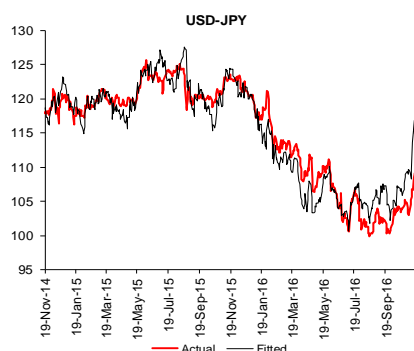


Source: OCBC Bank, Bloomberg

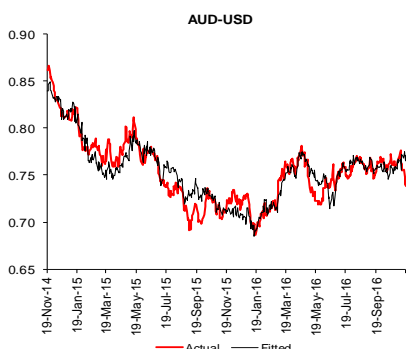
## G7



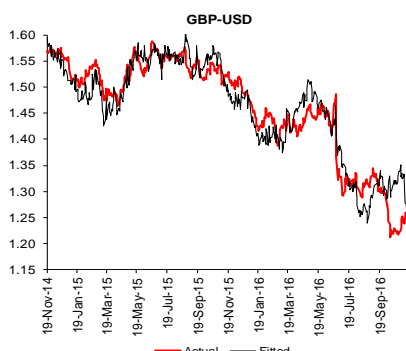
Source: OCBC Bank



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Source: OCBC Bank



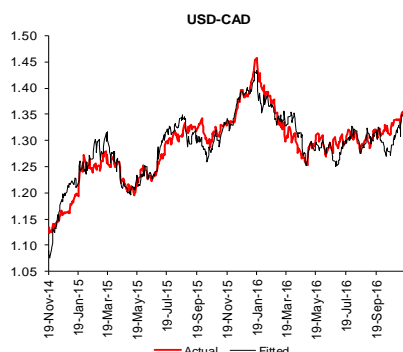
- **EUR-USD** Policy dichotomy may become more glaring as we head into December given that the ECB and the FOMC are expected to head in opposite directions at their respective policy meetings. EUR-USD tracked the collapse of short-term implied valuations on Thursday and if 1.0600 is breached on a sustained basis, investors may search out 1.0524.

- **USD-JPY** Apart from the firmer USD, the USD-JPY saw an additional lift after the BOJ (under the auspices of its modified framework) stepped in with a bond buy offer to contain JGB yields. In the interim, short-term valuations for the USD-JPY continue to float higher and despite the pair's rise, we continue to see potential headroom to play catch up. Beyond 111.00, the subsequent way point is expected at 111.45.

- **AUD-USD** Compounded by disappointing Oct labor market numbers, downside potential for the AUD-USD may remain apparent if it is also continued to be fueled by broad USD resilience. In a nutshell, the AUD-USD may continue to take the off-ramp relative to still elevated short-term valuations. Some re-assessment may kick in around the 0.7400 neighborhood but the current risk-reward profile is expected to remain tilted south.

- **GBP-USD** GBP-USD may remain sidelined and at the periphery of the current bout of USD robustness but we note that the pair has synced up with its (now heavy) short-term implied valuations. Brexit-related concerns meanwhile are expected to remain near the surface and if the foothold at 1.2400 is lost, expect downside probes towards 1.2320.

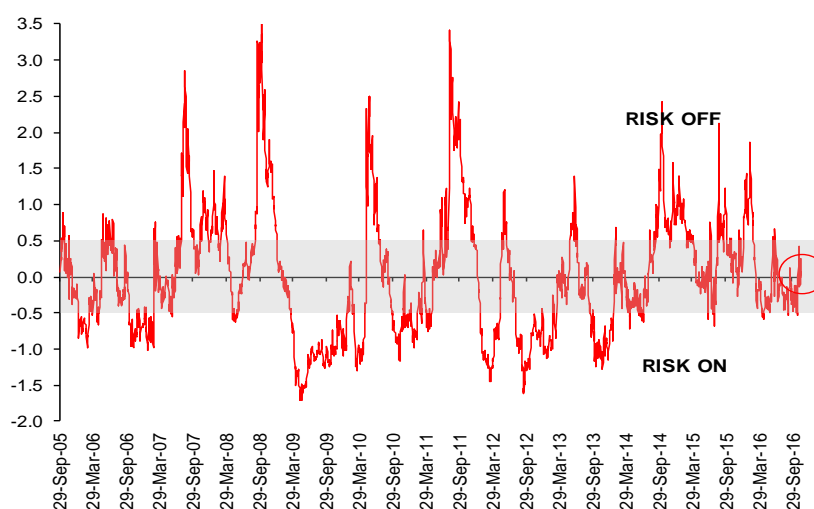
Source: OCBC Bank



- USD-CAD** USD-CAD continues to quietly track short-term implied valuations higher with the negative overhang from the incoming Trump administration looming large. Note that the Mexican President and Canadian PM are due to meet this weekend to discuss the impact on NAFTA. Next key resistance is expected into 1.3600.

Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	0.802	0.891	0.871	-0.355	-0.274	0.920	-0.114	-0.731	0.377	0.846	-0.988
CHF	0.920	0.948	0.966	0.820	-0.666	-0.561	1.000	-0.453	-0.493	0.613	0.965	-0.903
SGD	0.909	0.946	0.909	0.842	-0.592	-0.539	0.957	-0.424	-0.584	0.582	0.920	-0.911
JPY	0.894	0.501	0.615	0.815	0.072	0.143	0.731	0.229	-0.879	0.050	0.614	-0.933
CNY	0.891	0.929	1.000	0.721	-0.721	-0.631	0.966	-0.510	-0.388	0.644	0.975	-0.840
CNH	0.875	0.917	0.910	0.727	-0.645	-0.582	0.936	-0.463	-0.463	0.689	0.898	-0.868
USGG10	0.865	0.735	0.792	0.671	-0.384	-0.326	0.786	-0.176	-0.586	0.557	0.686	-0.843
TWD	0.851	0.719	0.863	0.598	-0.454	-0.377	0.830	-0.200	-0.404	0.569	0.774	-0.812
CAD	0.846	0.945	0.975	0.723	-0.783	-0.664	0.965	-0.565	-0.355	0.624	1.000	-0.836
IDR	0.802	1.000	0.929	0.727	-0.812	-0.726	0.948	-0.625	-0.353	0.744	0.945	-0.763
MYR	0.794	0.960	0.905	0.713	-0.801	-0.717	0.930	-0.588	-0.337	0.782	0.905	-0.760
KRW	0.775	0.941	0.956	0.626	-0.854	-0.773	0.926	-0.681	-0.218	0.754	0.960	-0.713
PHP	0.764	0.938	0.903	0.646	-0.825	-0.765	0.895	-0.636	-0.284	0.822	0.881	-0.725
THB	0.734	0.929	0.911	0.525	-0.882	-0.775	0.879	-0.696	-0.175	0.843	0.910	-0.660
CCN12M	0.548	0.770	0.664	0.463	-0.658	-0.647	0.717	-0.593	-0.214	0.802	0.684	-0.565
INR	0.503	0.737	0.715	0.257	-0.716	-0.737	0.661	-0.744	0.004	0.641	0.751	-0.474
GBP	0.206	0.667	0.492	0.257	-0.787	-0.874	0.468	-0.824	0.178	0.735	0.529	-0.217
NZD	-0.827	-0.484	-0.579	-0.636	-0.048	-0.103	-0.683	-0.161	0.746	-0.197	-0.573	0.845
AUD	-0.864	-0.737	-0.786	-0.625	0.381	0.300	-0.837	0.224	0.536	-0.491	-0.809	0.866
EUR	-0.988	-0.763	-0.84	-0.907	0.274	0.208	-0.903	0.093	0.799	-0.306	-0.836	1.000

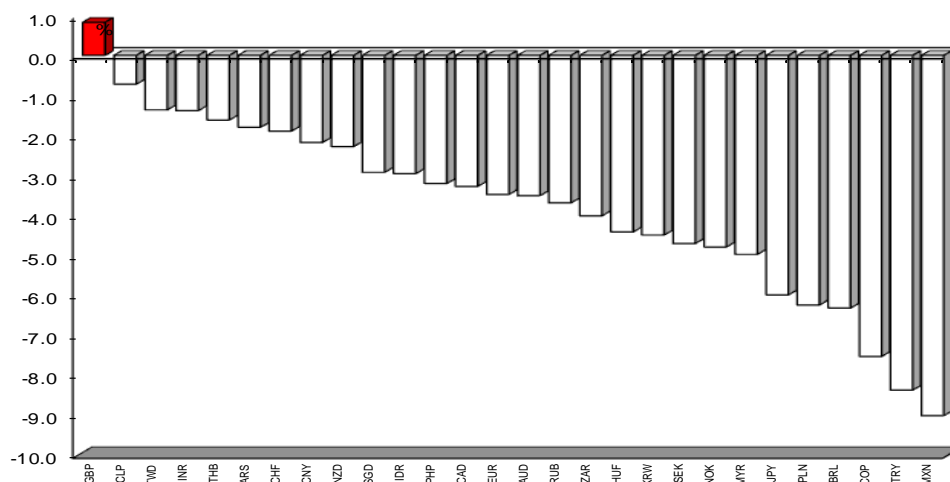
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0582	1.0589	1.0599	1.0600	1.1042
<b>GBP-USD</b>	1.2104	1.2300	1.2397	1.2400	1.2577
<b>AUD-USD</b>	0.7300	0.7387	0.7395	0.7400	0.7414
<b>NZD-USD</b>	0.7013	0.7020	0.7024	0.7100	0.7203
<b>USD-CAD</b>	1.3270	1.3500	1.3552	1.3567	1.3589
<b>USD-JPY</b>	106.43	110.00	110.45	110.46	110.60
<b>USD-SGD</b>	1.4200	1.4251	1.4259	1.4264	1.4300
<b>EUR-SGD</b>	1.5077	1.5100	1.5113	1.5200	1.5233
<b>JPY-SGD</b>	1.2889	1.2900	1.2909	1.3000	1.3311
<b>GBP-SGD</b>	1.7370	1.7600	1.7677	1.7700	1.7859
<b>AUD-SGD</b>	1.0495	1.0500	1.0544	1.0600	1.0753
<b>Gold</b>	1201.02	1205.00	1206.20	1280.93	1283.22
<b>Silver</b>	16.50	16.53	16.54	16.60	17.68
<b>Crude</b>	44.00	44.50	44.90	46.64	47.32

Source: OCBC Bank

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



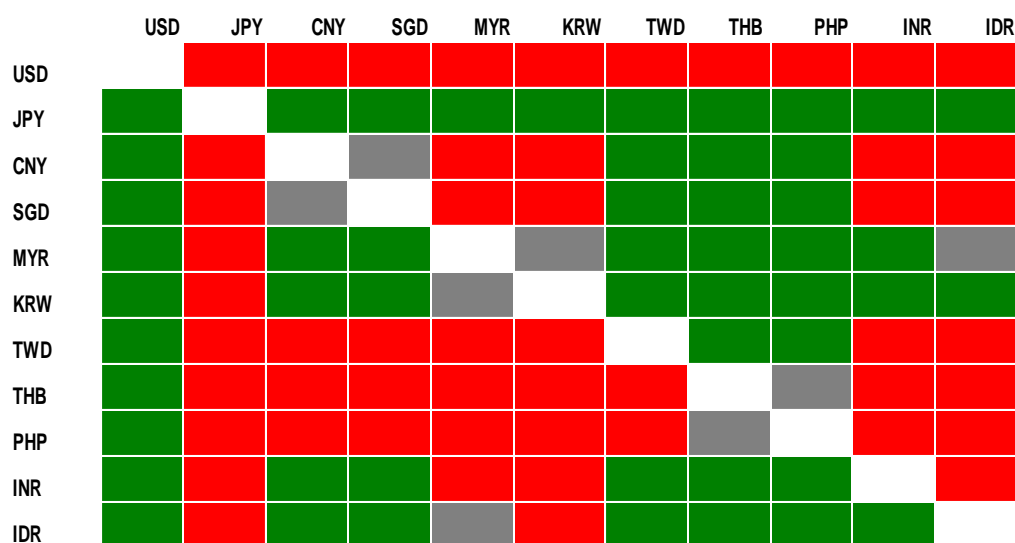
Source: Bloomberg

### G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
<b>AUD</b>		Green	Grey	Green	Red	Green	Green	Green
<b>NZD</b>	Red		Red	Green	Red	Green	Green	Grey
<b>EUR</b>	Grey	Green		Green	Red	Green	Green	Green
<b>GBP</b>	Red	Red	Red		Red	Red	Red	Red
<b>JPY</b>	Green	Green	Green	Green		Green	Green	Green
<b>CAD</b>	Red	Red	Red	Green	Red		Green	Red
<b>USD</b>	Red	Red	Red	Green	Red	Red		Red
<b>SGD</b>	Red	Grey	Red	Green	Red	Green	Green	

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	
3	18-Nov-18	B	USD-JPY	110.19	113.90	108.30	Firmer USD post-Yellen	
4	18-Nov-18	S	AUD-USD	0.7397	0.7190	0.7505	Potential negative side effects from new US administration	
<b>STRUCTURAL</b>								
5	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
6	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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