

Tuesday, January 19, 2016

## FX Themes/Strategy/Trading Ideas

- It remains to be seen if the respite from global volatility can persist and we note our **FXSI (FX Sentiment Index)** registering higher within Risk-Off territory on Monday although investor nervousness moderated into the LDN session. On the data calendar, look to the slew of China readouts this morning (0200 GMT) in the form of December 2015 industrial production, retail sales, urban fixed asset investments, as well as 4Q 15 GDP headlines. Overall, expect a unified or US-centric broad dollar narrative to remain conspicuously absent.

## Asian FX

- Asian currency vulnerability may pause for breath in the near term with the **ACI's (Asian Currency Index)** managing to edge lower on the day. Note sustained downside pressure on the HKD (spot and the TT forwards) despite some stabilization on the CNH front while our **Heat Map** continues to angle for intrinsic USD resilience across Asia.
- The **USD-CNY mid-point** was slightly higher this morning at 6.5596 compared to 6.5590. This brings the estimated **CFETS RMB Index** to 100.7418 today from an estimated 100.6165, in line with the overnight movements in the basket's constituent currencies. Overall, we continue to detect an official willingness to permit some flexibility in the CFETS RMB Index in reaction to global currency movements on a daily basis, although we note that the overriding principle of stability in the index beyond the short term remains a principle consideration. Thus, the index is only mildly softer by around -0.19% relative to its reading of 100.94 on 31 Dec 16. Nonetheless, this is sufficient to effect a mild softening bias, with the index currently -0.76% yoy.
- This morning, **SGD NEER** is mildly "stronger" on the day relative to its perceived parity (1.4152) at around -1.58%. NEER-implied USD-SGD thresholds are a touch softer on the day with the -2.00% lower extreme of the NEER fluctuation band estimated at around 1.4441. A 1.4330-1.4430 range may prevail pending further headline risks.

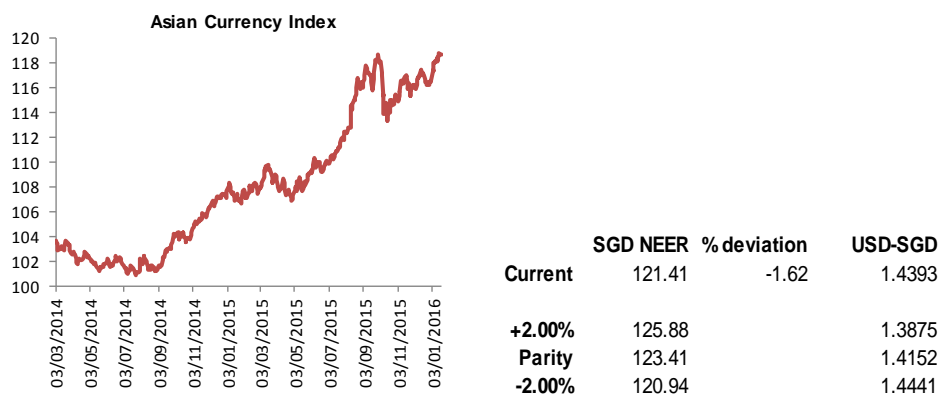
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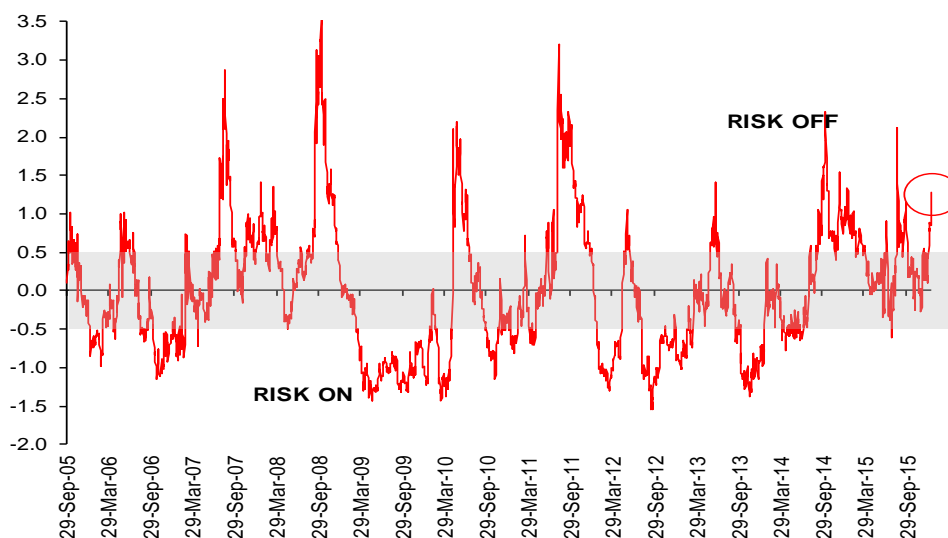


Source: OCBC Bank

## G7

- **EUR-USD** The EUR-USD may continue to trawl the waters between its 55-day MA (1.0823) and 1.0960, although any further hints of global investor nervousness may lend interim support. Look to the German Jan ZEW for near term cues while we note that yield differential arguments continue to prove supportive for the pair.
- **USD-JPY** USD-JPY may well base build pending further global risk appetite developments in the coming sessions with 116.50 serving as an interim floor at this juncture.
- **AUD-USD** A friendlier risk appetite environment should also prove supportive to the AUD-USD intra-day while the global commodity complex attempts to stabilize. Expect yield differential arguments to be suspended in the interim as market participants work through the current risk aversion episode.
- **GBP-USD** Look to UK December CPI/PPI readings today for further clues regarding BOE rate hike expectations. Any disappointments from this front may continue to pressure the pair lower. In the interim, any retracement higher may top out towards 1.4285/00.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRSEX
DXY	1.000	-0.374	-0.289	0.409	0.517	0.240	0.537	0.313	-0.458	-0.462
CHF	0.879	-0.330	-0.568	0.604	0.623	0.584	0.636	0.643	-0.522	-0.658
JPY	0.537	-0.135	-0.823	0.460	0.272	0.541	1.000	0.483	-0.279	-0.681
SGD	0.339	-0.346	0.480	-0.307	-0.237	-0.558	-0.195	-0.568	0.344	0.269
AUD	0.054	0.298	-0.478	0.694	0.621	0.833	0.153	0.804	-0.582	-0.630
PHP	-0.042	-0.266	0.129	-0.635	-0.650	-0.587	0.083	-0.442	0.646	0.593
IDR	-0.155	-0.110	-0.188	-0.370	-0.710	-0.208	0.342	-0.313	0.724	0.199
TWD	-0.263	0.063	0.703	-0.490	-0.106	-0.626	-0.676	-0.656	0.228	0.407
GBP	-0.264	-0.275	-0.684	-0.049	-0.334	0.450	0.454	0.293	0.435	-0.238
CAD	-0.270	0.095	0.972	-0.574	-0.382	-0.910	-0.763	-0.837	0.290	0.813
CNH	-0.279	0.107	0.957	-0.496	-0.450	-0.842	-0.802	-0.763	0.345	0.808
CNY	-0.289	0.208	1.000	-0.467	-0.338	-0.857	-0.823	-0.745	0.233	0.806
CCN12M	-0.319	0.066	0.784	-0.395	-0.273	-0.582	-0.801	-0.567	0.258	0.566
INR	-0.319	-0.111	-0.460	-0.126	-0.558	0.185	0.330	0.083	0.547	0.004
THB	-0.330	-0.068	0.850	-0.728	-0.499	-0.854	-0.727	-0.849	0.520	0.788
KRW	-0.339	-0.098	0.462	-0.761	-0.846	-0.736	-0.319	-0.786	0.792	0.679
USGG10	-0.374	1.000	0.208	0.249	0.076	-0.022	-0.135	0.072	-0.285	0.057
MYR	-0.377	0.101	0.882	-0.527	-0.571	-0.854	-0.725	-0.734	0.442	0.892
NZD	-0.465	0.486	0.793	-0.068	-0.118	-0.434	-0.851	-0.328	-0.069	0.573
EUR	-0.949	0.366	0.483	-0.523	-0.574	-0.446	-0.638	-0.498	0.466	0.606

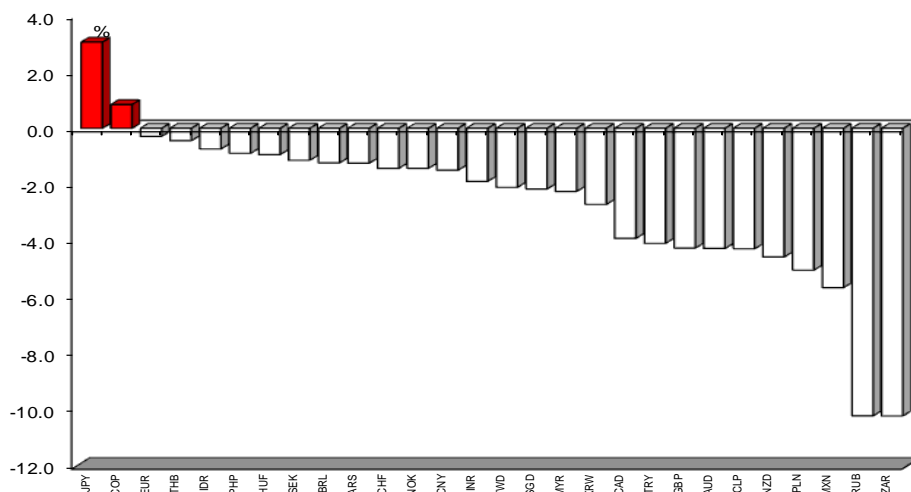
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0800	1.0825	1.0883	1.0900	1.0998
GBP-USD	1.4200	1.4237	1.4252	1.4300	1.4906
AUD-USD	0.6800	0.6827	0.6883	0.6900	0.7165
NZD-USD	0.6381	0.6400	0.6451	0.6500	0.6644
USD-CAD	1.3737	1.4400	1.4463	1.4500	1.4605
USD-JPY	116.51	117.00	117.59	118.00	121.04
USD-SGD	1.4156	1.4300	1.4381	1.4400	1.4444
EUR-SGD	1.5330	1.5600	1.5652	1.5700	1.5790
JPY-SGD	1.1699	1.2200	1.2230	1.2300	1.2372
GBP-SGD	2.0461	2.0483	2.0495	2.0500	2.1092
AUD-SGD	0.9839	0.9840	0.9898	0.9900	1.0141
Gold	1055.76	1076.68	1088.70	1100.00	1105.27
Silver	13.64	13.90	13.93	14.00	14.10

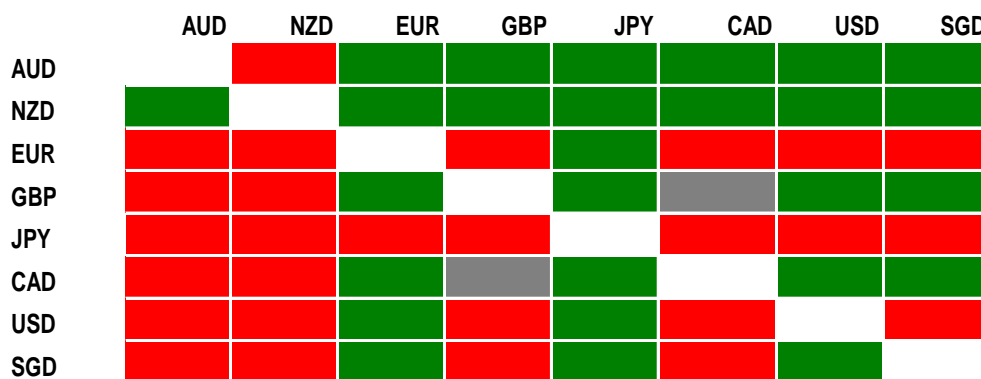
Source: OCBC Bank

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



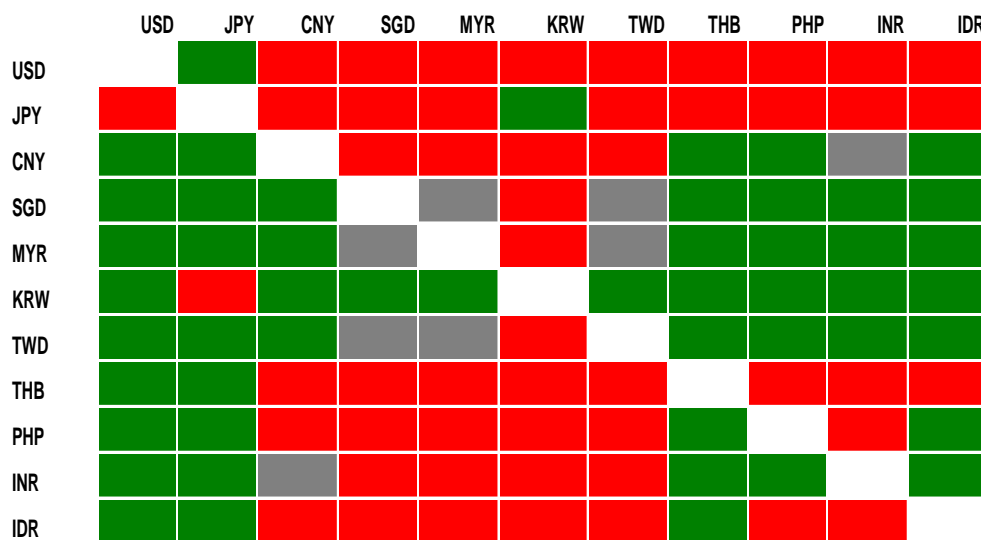
Source: Bloomberg

**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	10-Nov-15	B	USD-CAD	1.3276	1.4905	1.4390	USD strength vs. weak crude	
2	21-Dec-15	S	USD-JPY	121.15	116.20	119.90	Disappointment towards a less dovish than expected BOJ	
3	21-Dec-15	S	GBP-USD	1.4917	1.4045	1.4475	Negative chatter surrounding BREXIT and sustained dissipation towards BOW hawkishness	
4	04-Jan-16	B	USD-SGD	1.4229	1.4485	1.4100	Asian FX weakness, RMB jitters	
5	08-Jan-16	B	EUR-USD	1.0888	1.1220	1.0720	Risk of Fed/dollar "disappointment"	
6	08-Jan-16	S	AUD-USD	0.7056	0.6640	0.6950	Fragile global/equity/commodity/RMB backdrop	
<b>STRUCTURAL</b>								
7	18-Dec-15	S	GBP-USD	1.4909	1.4195	1.5270	Broad dollar strength post-liftoff may be expected to continue to have traction against GBP	
8	29-Dec-15	S	USD-JPY	120.25	113.45	123.70	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY profile	
<b>Recently Closed</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	29-Dec-15	15-Jan-16	B	USD-CAD	1.3886	1.4520	Central bank policy dichotomy in addition to structurally soft crude	+4.38

Source: OCBC Bank

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