

Thursday, April 21, 2016

FX Themes/Strategy/Trading Ideas

- With UST yields edging higher (stronger crude and better than expected March existing home sales numbers at +5.1% mom), the greenback managed to eke out generalized gains despite positive global equities and crude prices with the EUR-USD losing altitude ahead of the ECB meeting on Thursday. Today the ECB statement is due 1145 GMT with Draghi's press conference (dovish comments expected by some market participants) scheduled at 1230 GMT.
- In the interim, investors may park themselves around familiar levels with the greenback expected to hold the upper hand. On this front, rate differential arguments would see the EUR and JPY particularly at risk. The commodity-driven rally for the cyclical may also hesitate somewhat in the very near term after their recent ascent despite the **FXSI (FX Sentiment Index)** softening yesterday and peeking into Risk-On territory.
- With Brexit concerns abating slightly for now, a besieged broad dollar mixed with relatively sanguine risk appetite levels may pave the way for the **GBP-USD** to test above the 1.4400 handle in the near term, especially if the EUR-USD provides a partial tailwind post-ECB. We target 1.4785 and place a stop at 1.4165 while referencing a spot ref of 1.4374.

Asian FX

- EM FX was mixed in the face of a firmer USD across G10 overnight while a positive start to Asian equities on Thursday may do little to blunt the underlying supported tone for the broad dollar in Asia. As such, the **ACI (Asian Currency Index)** is expected to trade consolidative to higher intra-day. In addition, the higher than expected USD-CNY midpoint may also impart additional buoyancy to the regional pairs. Ahead, Bank Indonesia is expected to remain static with respect to its policy benchmarks at its policy meeting today.
- The **SGD NEER** is printing around +0.27% above its perceived parity (1.3494) this morning with NEER-implied USD-SGD thresholds higher on the day. At current levels, the +1.00% NEER threshold is estimated to correspond to 1.3360 although a firm greenback may see the Index gravitate towards -0.50% at 1.3562.

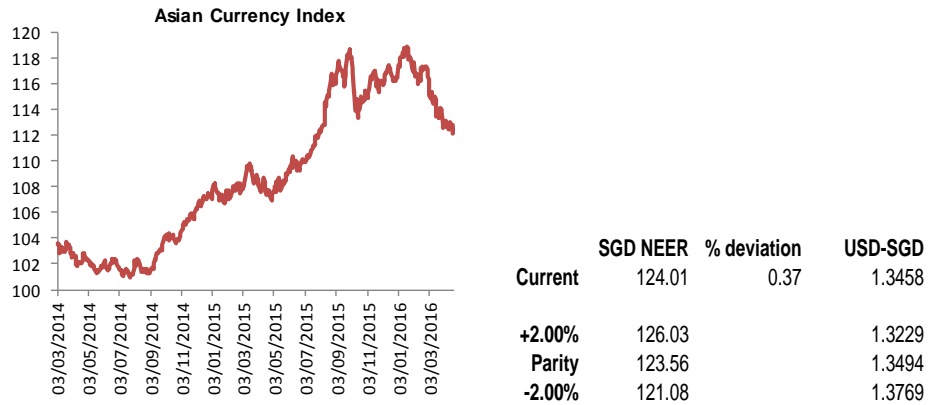
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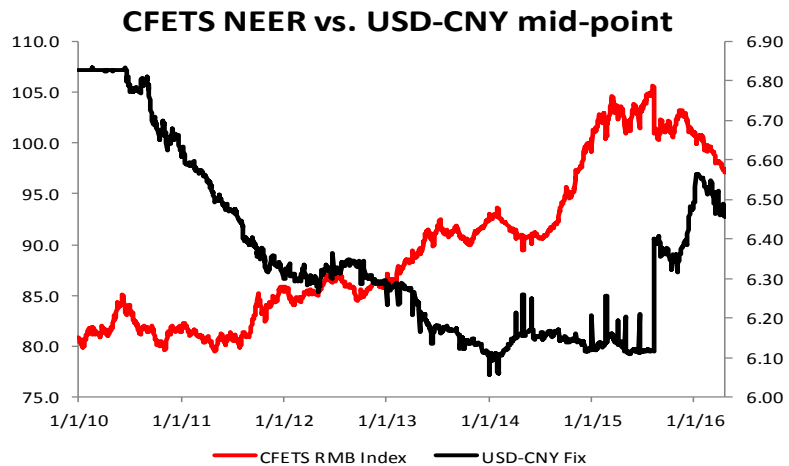
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Source: OCBC Bank

- Today, the **USD-CNY mid-point** was set higher than expected at 6.4803 from 6.4579 yesterday. Despite overnight moves in the constituent currencies pressuring the implied **CFETS RMB Index** higher, the USD-CNY mid-point this morning instead pushed the Index lower to 97.16 (lowest year-to-date reading) from 97.30 on Wednesday. Official structural guidance for a suppressed CFETS RMB Index remains very much in play.

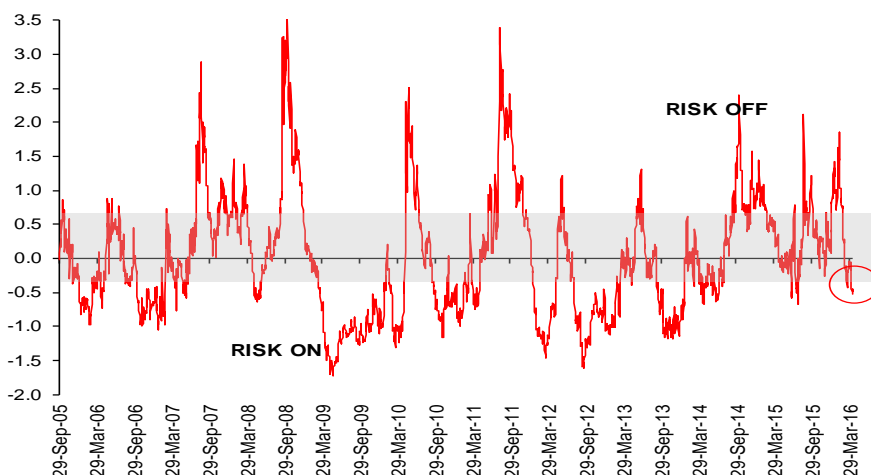


G7

- **EUR-USD** Expect consolidative behavior ahead of the ECB headline risks later in the global session with a first key support expected into 1.1267 if 1.1300 is breached meaningfully.
- **USD-JPY** A Risk-On environment coupled with underlying USD support may see the USD-JPY continue to eye 110.00 and 110.47 thereafter in the current session with 109.00 expected to cushion on initial dips.
- **AUD-USD** As mentioned above, the AUD-USD may pause for breath ahead of the event risk from the ECB with 0.7800/30 still expected to limit on upside probes at this juncture. With the pair looking slightly distended after the past one and a half weeks, capitulation towards 0.7750 cannot be discounted.

- GBP-USD** Expect GBP-USD to potentially fade lower towards 1.4300 with the 55-day MA (1.4250) residing below if the broad dollar continues to regain traction against its peers. On the domestic front, look to March retail sales figure (0830 GMT) for further cues.

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	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

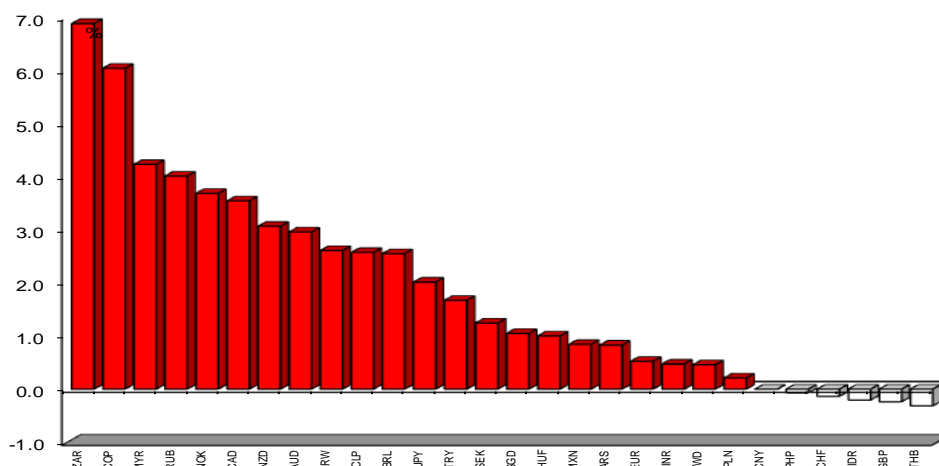
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1250	1.1267	1.1300	1.1400	1.1465
GBP-USD	1.4226	1.4300	1.4335	1.4400	1.4438
AUD-USD	0.7471	0.7800	0.7801	0.7829	0.7834
NZD-USD	0.6757	0.6900	0.6964	0.7000	0.7041
USD-CAD	1.2593	1.2600	1.2653	1.2700	1.3233
USD-JPY	107.63	109.00	109.74	110.00	111.95
USD-SGD	1.3352	1.3400	1.3454	1.3500	1.3673
EUR-SGD	1.5171	1.5200	1.5202	1.5300	1.5340
JPY-SGD	1.2200	1.2256	1.2260	1.2300	1.2596
GBP-SGD	1.8967	1.9200	1.9285	1.9300	1.9513
AUD-SGD	1.0246	1.0400	1.0496	1.0500	1.0532
Gold	1210.19	1237.95	1247.70	1261.51	1287.80
Silver	15.54	17.00	17.05	17.10	17.20

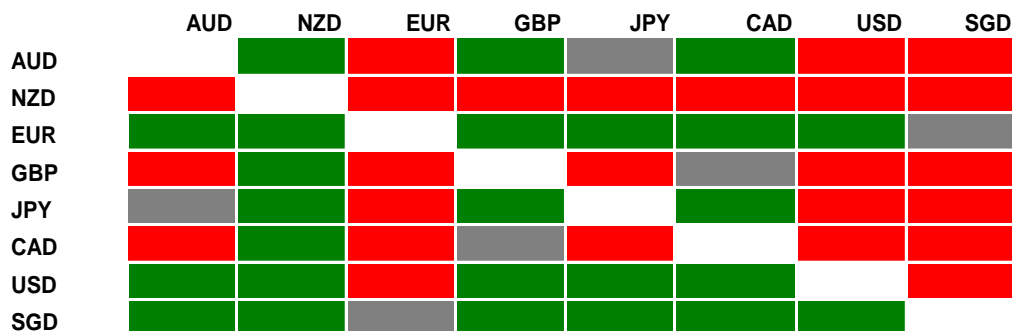
Source: OCBC Bank

FX performance: 1-month change agst USD



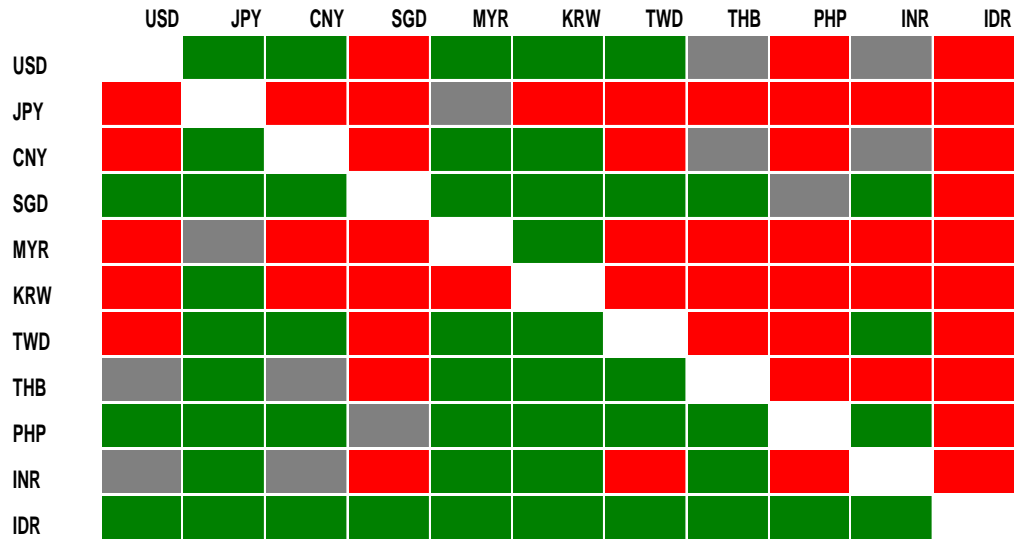
Source: Bloomberg

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	14-Apr-16	S	USD-CAD	1.2832	1.2425	1.3040	Bottoming crude prices	
2	19-Apr-16	S	USD-JPY	108.93	105.40	110.75	Potential for FOMC to disappoint	
3	20-Apr-16	B	GBP-USD	1.4374	1.4785	1.4165	Moderating Brexit concerns, weak dollar, positive risk	
STRUCTURAL								
4	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
5	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
6	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
7	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
8	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
9	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
10	19-Apr-16	S	USD-SGD	1.3439	1.2835	1.3740	Potential for further broad USD decay, positive risk appetite	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	18-Mar-16	24-Mar-16	B	EUR-USD	1.1321	1.1150	Tilt in policy balance after ECB and FOMC	-1.53
2	18-Feb-16	31-Mar-16	S	USD-SGD	1.4034	1.3435	USD vulnerability, stabilization in RMB, equities/commodities	+4.54
3	03-Mar-16	08-Apr-16	B	AUD-USD	0.7284	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie	+3.19
4	29-Feb-16	07-Apr-16	S	USD-CAD	1.3533	1.3139	Bottoming crude	+2.98
5	11-Apr-16	14-Apr-16	S	USD-JPY	107.72	109.50	JPY still not drastically overvalued, endemic USD weakness	-1.63
6	04-Mar-16	14-Apr-16	S	USD-SGD	1.3881	1.3634	Brightening risk appetite, vulnerable broad dollar	+1.81
7	30-Mar-16	18-Apr-16	B	EUR-USD	1.1297	1.1310	Dollar negativity post-Yellen	+0.05

Source: OCBC Bank

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