

Wednesday, March 23, 2016

**FX Themes/Strategy/Trading Ideas**

- The dollar was a mixed bag against the majors on Tuesday with the CAD and AUD underpinned by the commodity complex despite shaky equities. Elsewhere, the EUR was weighed slightly by Brussels news flow while the GBP continued to cave under Brexit concerns.
- Fairly hawkish comments from the Fed's Harker late Tuesday/early Wednesday morning in Asia and from Evans (dove but non-voter) on Tuesday joins the post-FOMC chorus of Fed rhetoric trying to steer the market back towards a Fed normalization posture. If the Fed's Bullard strikes a similar chord later today (1300 GMT), expect potential for further resilience for the broad dollar at the margins while any terrorism blowback from the Brussels situation on the EUR may also be expected to channel flows into the greenback. **Overall, while our suite of recommendations remain in the "anti-dollar" camp, we remain cautious towards any renewed greenback strength going ahead.**

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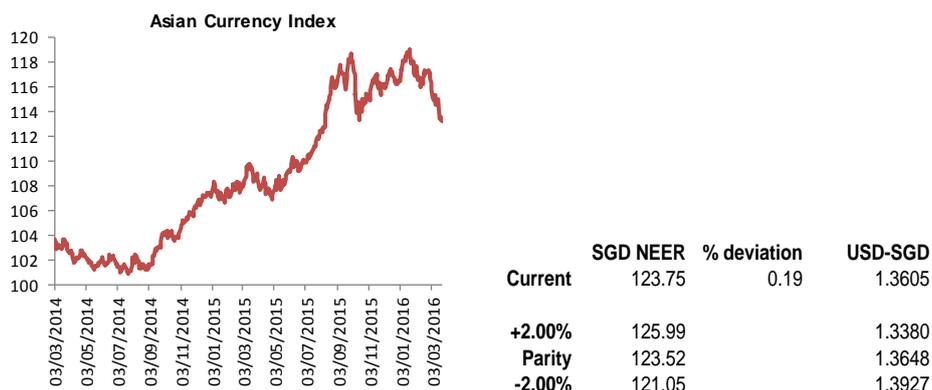
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**Asian FX**

- In spite of broad dollar dynamics mentioned above, still fairly sanguine global risk appetite levels and may however lend continued support to Asian FX in the near term. In addition to the recent positive net capital inflow situation, the lower than expected fix in the USD-CNY this morning also provides further support. As such, expect the **ACI (Asian Currency Index)** to retain a heavy tone. On the central bank front, expect the BOT and BSP to remain static at their policy meetings today.
- USD-SGD may remain anchored around the 1.3600 vicinity pending further external catalysts with the **SGD NEER** largely neutral at around +0.26% above its perceived parity (1.3648) this morning. NEER-implied USD-SGD thresholds are slightly lower on the day with the +0.50% threshold estimated at around 1.3581 at current levels.
- The **USD-CNY** mid-point was set lower than expected at 6.4636 compared to 6.4971 on Tuesday. As such, the CFETS RMB Index is estimated at a firmer than expected 98.07 today, a tick higher than the 98.06 yesterday. Our core views remain unchanged, although it seems that the 98.00 line in the sand for the Index remains unbroken for now.



Source: OCBC Bank

## G7

- **EUR-USD** Data flow out of the EZ was mixed to supportive on Tuesday while we note rate differential arguments have continued to lean in favor of the common currency in recent sessions. Nonetheless, background security concerns may continue to cap the EUR-USD in the very short term with 1.1175 expected to offer near term support in the interim.
- **USD-JPY** We see no primary change in our short term range bound view for the USD-JPY with broad dollar dynamics looking very mixed. Technically, and barring jolts from the risk appetite front, the temptation for the pair may be to reach for its upper end of its recent range towards 114.50, buoyed by rate differential developments.
- **AUD-USD** Risk appetite dynamics may continue to prevail for the pair in the near term and fuel potential upside, especially with relative calm on the China/commodity front at this juncture and rate differential developments favoring the aussie. Expect an initial resistance towards 0.7680.
- **GBP-USD** In addition to Brexit concerns (on the back of the Brussels attacks), the still February soft CPI environment on Tuesday arguably may keep the GBP-USD inherently top heavy. With the 1.4200 support now at risk, 1.4140 may attract, with the 55-day MA (1.4301) now serving as a resistance after its violation yesterday.

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	29-Feb-16	S	USD-CAD	1.3533	1.2745	1.3330	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	1.3380	1.3755	Brightening risk appetite, vulnerable broad dollar	
4	18-Mar-16	B	EUR-USD	1.1321	1.1660	1.1150	Tilt in policy balance after ECB and FOMC	
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	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45
2	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
3	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45
4	29-Feb-16	10-Mar-16	S	EUR-USD	1.0923	1.1070	Contrasting short term data streams between EZ and US	-1.29
5	14-Mar-16	15-Mar-16	B	GBP-USD	1.4380	1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	-1.41

Source: OCBC Bank

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