

Tuesday, September 27, 2016

FX Themes/Strategy/Trading Ideas

- Markets continue to shape up for a spell of USD weakness (and JPY strength across the board) with investors likely to trade around the Trump/Clinton presidential debate during the session. Note also softer UST yields from overnight. As a crude proxy on this front, we continue to monitor the MXN. Meanwhile, we continue to expect the **USD-JPY** to remain relatively more responsive to headline risks in the current session.
- Elsewhere, investor confidence remains sketchy following the global equity weakness on Monday despite the **FXSI (FX Sentiment Index)** ticking higher overnight within Risk-Neutral territory. Needless to say, expect markets to buckle up for potential volatility in the coming weeks – tempering any potential and opportunistic EM/Asian strength against the USD.

Asian FX

- With Asian equities in the red early Tues in Asia (negativity compounded by the rating downgrade for Turkey), expect the **ACI (Asian Currency Index)** to attempt to inch higher for the third consecutive session.
- The **SGD NEER** is slightly south of its perceived parity (1.3604) at around -0.11% with NEER-implied USD-SGD thresholds higher on the day. At current levels, the -0.50% threshold is estimated at 1.3672 and +0.50% is estimated at 1.3536, with slight market nervousness at this juncture seen imparting a bias towards -0.50%. Technically, markets may collect into dips, with the 100-day MA (1.3559) a solid floor and 1.3650 an initial resistance.

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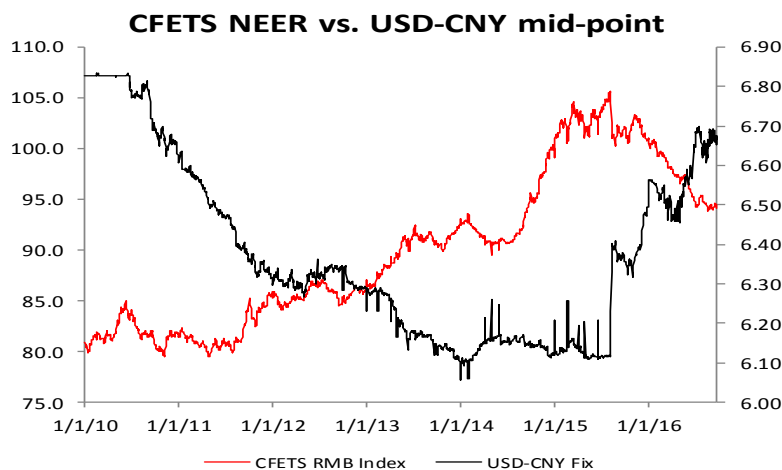
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	SGD NEER	% deviation	USD-SGD
Current	123.45	-0.08	1.3610
+2.00%	126.03		1.3340
Parity	123.56		1.3606
-2.00%	121.08		1.3884

Source: OCBC Bank

- Today, the **CFETS RMB Index** was held relatively steady and rose slightly to 94.13 from 94.06 on Monday, with the USD-CNY slipping to 6.6646 from 6.6744 yesterday. On a related note, if any of the conspiracy theories surrounding the SDR inclusion hold water, the potential corollary then is that the Index may resume edging lower post-inclusion.

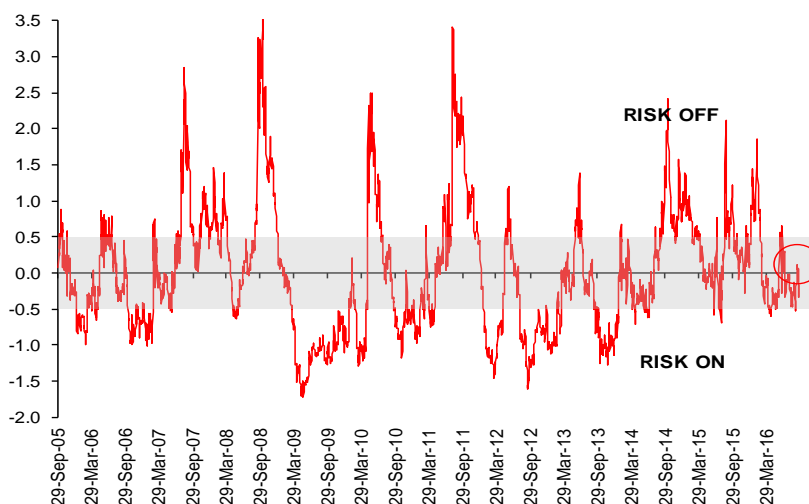


Source: OCBC Bank, Bloomberg

G7

- **EUR-USD** The pair has been more responsive to US-centric news flow as opposed to Deutsche Bank related news-flow with the pair continually rejecting the downside. On the data front, the better than expected September German Ifo may have also lent some underlying support to the pair intra-day. In the near term, the EUR-USD may remain anchored around the 1.1250 handle, and our preference would be to position for a bounce into 1.1200 towards 1.1285/00 in the short term.
- **USD-JPY** In the wake of comments from the BOJ's Kuroda on Monday portending little immediate urgency for further accommodation and hints of risk aversion, the bias for the USD-JPY may remain tilted south. In the interim, markets may continue to fade rallies towards 101.40, with the 100.00 support still looking conspicuous.
- **AUD-USD** AUD-USD may remain range bound but supported on dips pending risk appetite volatility and generalized dollar dynamics. On the downside, the 55-day MA (0.7586) may offer good support barring a further meltdown in investor sentiment while 0.7675 may attract if the search for yield resumes.
- **GBP-USD** GBP-USD may remain structurally heavy and the EUR-GBP continually biddish) going ahead if Brexit-related headlines continue to take center stage once again. With cable still submerged below 1.3000 despite dollar vulnerability elsewhere in G10, risk towards 1.2900 ahead of 1.2865 remains apparent at this juncture.

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

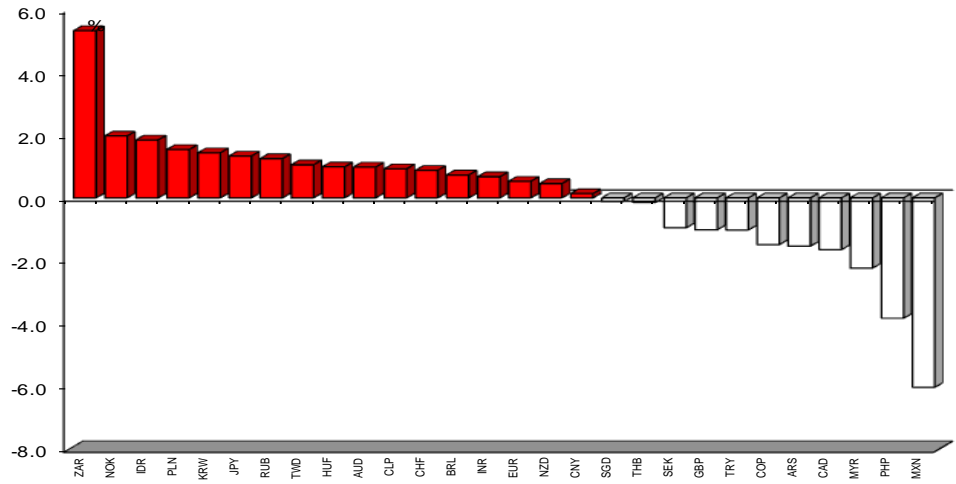
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1181	1.1200	1.1246	1.1288	1.1300
GBP-USD	1.2900	1.2915	1.2972	1.3000	1.3141
AUD-USD	0.7584	0.7600	0.7642	0.7700	0.7706
NZD-USD	0.7204	0.7227	0.7281	0.7300	0.7420
USD-CAD	1.3200	1.3238	1.3249	1.3276	1.3300
USD-JPY	99.97	100.00	100.57	101.00	102.18
USD-SGD	1.3521	1.3600	1.3607	1.3688	1.3698
EUR-SGD	1.5292	1.5300	1.5303	1.5352	1.5398
JPY-SGD	1.3238	1.3500	1.3530	1.3584	1.3600
GBP-SGD	1.7519	1.7600	1.7651	1.7700	1.7767
AUD-SGD	1.0253	1.0300	1.0399	1.0400	1.0403
Gold	1302.10	1332.99	1338.70	1351.90	1355.80
Silver	19.50	19.53	19.56	19.60	20.12
Crude	45.30	45.50	45.58	45.60	45.60

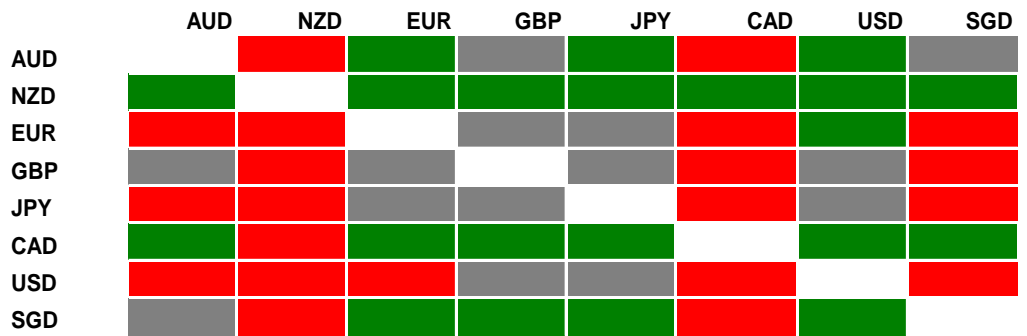
Source: OCBC Bank

FX performance: 1-month change agst USD



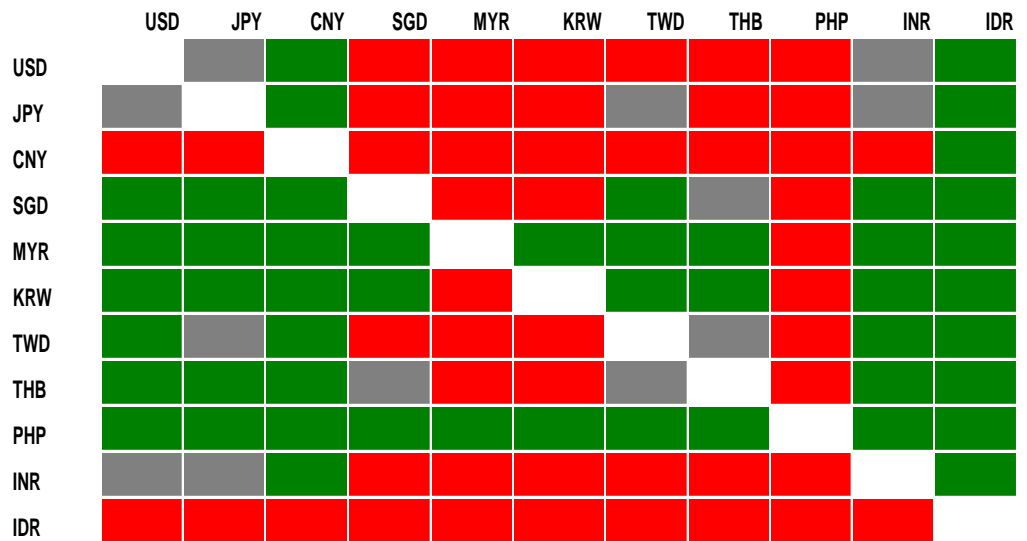
Source: Bloomberg

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		
TACTICAL								
1	25-Aug-16	B	GBP-USD	1.3210	1.4055	1.2785	Moderating short term pessimism	
2	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
STRUCTURAL								
3	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
4	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
5	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
6	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
7	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
8	25-Aug-16	S	USD-CAD	1.2918	1.1960	1.3400	Stabilizing global macro, potential traction for oil	
RECENTLY CLOSED								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	11-Aug-16	30-Aug-16	S	USD-JPY	101.22	101.96	Fading dollar coupled with potential risk aversion	-0.80
2	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclicals, search for yield	8.37
3	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
4	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
5	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.32
Jan-Aug 2016 Return							+7.80	

Source: OCBC Bank

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