

**Monday, March 28, 2016**

### FX Themes/Strategy/Trading Ideas – The week ahead

- The broad dollar spent last week edging higher across G10 space on the back of renewed hawkish Fed rhetoric (including Bullard (voter) on Thursday) and with final 4Q GDP readings on Friday providing background support.
- This week apart from data watching amidst a fairly heavy release calendar (US core PCE today, Japan's 1Q Tankan late Thu, global PMIs and March NFP (mkts: +200k) on Friday), expect market participants to remain on Fed-watch, with appearances by Williams, Yellen (Tuesday), Kaplan, Evans, Dudley, and Mester scheduled throughout the week.
- On the **CFTC** front, implied large non-commercial and leveraged accounts in aggregate lightened up on dollar longs in the latest week but note that these numbers essentially pre-dated the hawkish damage control from Fed speakers throughout last week.
- Elsewhere, look towards **global inflation** (i.e., oil prices) dynamics this week, especially if crude prices continue to flatten out or continue to subsist below 40.00. Notably, a more benign global inflation landscape would potentially underscore the divide between the Fed and its major counterparts, underpinning the greenback. On the risk appetite front, the recent relief rally may have run its course, with the **FXSI (FX Sentiment Index)** bottoming out over the past week.

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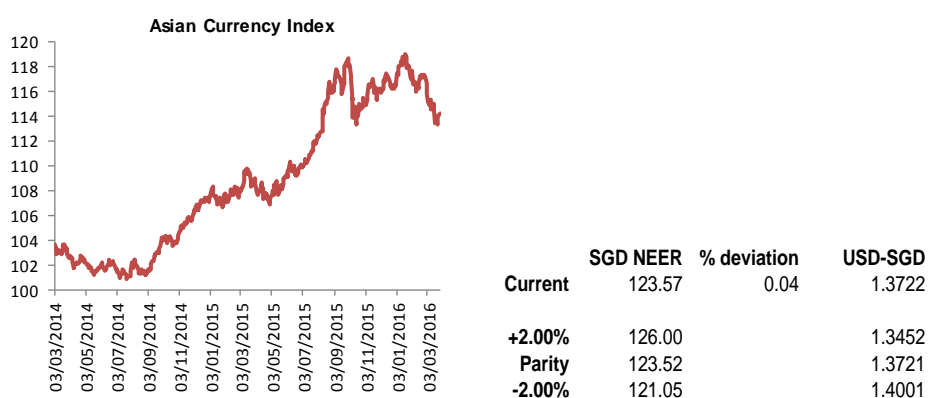
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### Asian FX

- Despite cited inflows into the region in recent weeks, we note that the regional currencies remain responsive to the broad dollar's attempts to pull higher, with the **ACI (Asian Currency Index)** continuing to bottom out over the course of the past week. On the Asian front, look to China's PMIs (both the Caixin and CFLP versions) are on Friday for further cues.
- The **SGD NEER** starts the week at around its perceived parity (1.3721) at around -0.08%. Note that NEER-implied USD-SGD thresholds are slightly higher compared to late last week with the +0.50% threshold at around 1.3653.
- Over the past week, the NEER has softened slightly (both in nominal terms as well as relative to its mid-point) with SGD underperformance against the USD and MYR significant contributory factors. However, expect the NEER's heaviness to slow if the MYR outperformance peters out in an environment of

sustained USD resilience. Going ahead therefore, if the NEER remains in the vicinity of its parity, arguments for a re-centering lower of its mid-point at the upcoming MAS MPS (Monetary Policy Statement) would be significantly diluted.

- Risk-reward for the USD-SGD meanwhile may be still angled towards the upside if the broad dollar continues to retain slight traction in Asia. Expect the next psychological resistance at 1.3800.
- This morning, the **USD-CNY** mid-point was set a touch higher at 6.5232 (6.5223 on Friday), lifting the **CFETS RMB** Index slightly higher to 98.25 from 98.16 on Friday. Going ahead, the risk of the fix remains tilted to the upside if the broad USD sustains its upwards gradient.

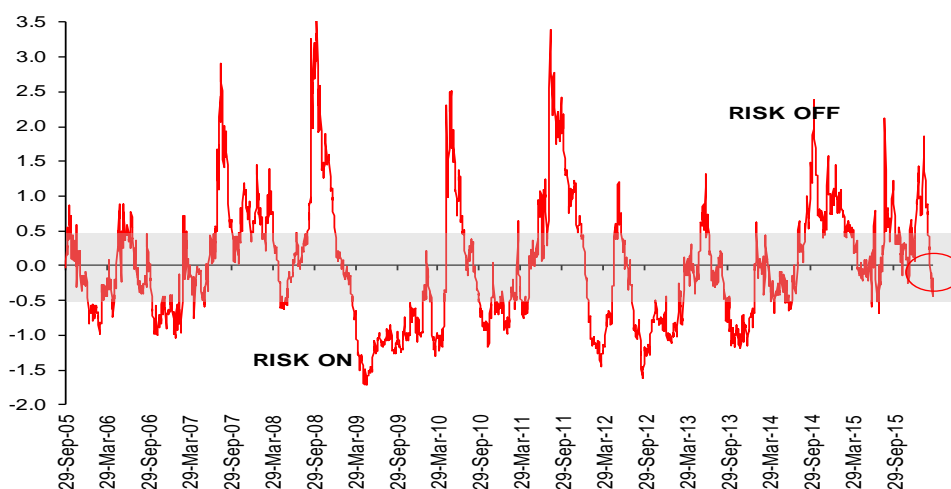


Source: OCBC Bank

## G7

- **EUR-USD** The EUR-USD may increasingly be trapped within recent ranges if subdued EZ inflation expectations continue to be set against somewhat hawkish Fed rhetoric. At this juncture, a violation of 1.1150 would open the way to 1.1100.
- **USD-JPY** The USD-JPY has continued to exhibit little discernible drift within its 111.00-114.55 range in recent weeks and the pair may attempt to reach for the upper reaches of this band in the interim. Continue to look to external influences and risk appetite fluctuations for near term cues, with the Tankan also due late Thursday.
- **AUD-USD** As demonstrated last week, the AUD is not immune to the draw of a stronger dollar in the absence of a strong driver from commodities/risk appetite. Consolidation may continue to ensue although a test below 0.7500 towards 0.7465 cannot be ruled out at this juncture.
- **GBP-USD** In the face of looming Brexit risks and background dollar resilience, markets may continue to fade upticks in the GBP-USD in the near term with the 55-day MA (1.4276) providing resistance and with risks likely skewed towards 1.4000 instead.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	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

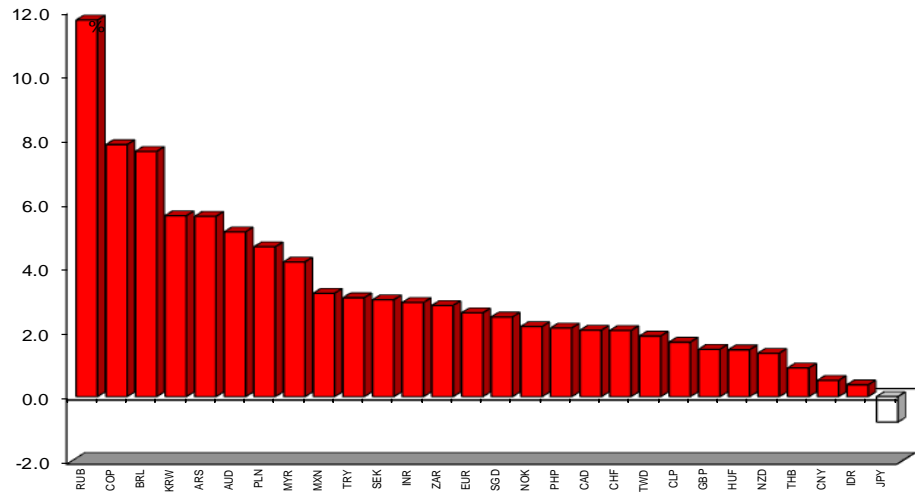
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1065	1.1100	1.1154	1.1200	1.1342
GBP-USD	1.3972	1.4100	1.4121	1.4200	1.4268
AUD-USD	0.7265	0.7500	0.7506	0.7600	0.7680
NZD-USD	0.6605	0.6635	0.6678	0.6700	0.6836
USD-CAD	1.2977	1.3200	1.3230	1.3300	1.3362
USD-JPY	111.50	113.00	113.59	114.00	114.51
USD-SGD	1.3480	1.3700	1.3725	1.3800	1.3966
EUR-SGD	1.5129	1.5300	1.5309	1.5389	1.5400
JPY-SGD	1.2018	1.2036	1.2083	1.2100	1.2181
GBP-SGD	1.9266	1.9300	1.9381	1.9400	1.9822
AUD-SGD	1.0136	1.0300	1.0302	1.0400	1.0423
Gold	1196.97	1200.00	1210.50	1211.55	1281.10
Silver	15.04	15.10	15.18	15.20	16.08

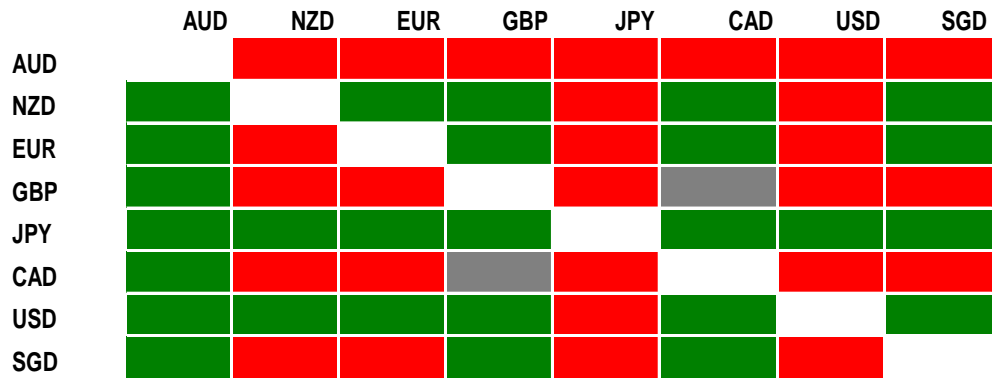
Source: OCBC Bank

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



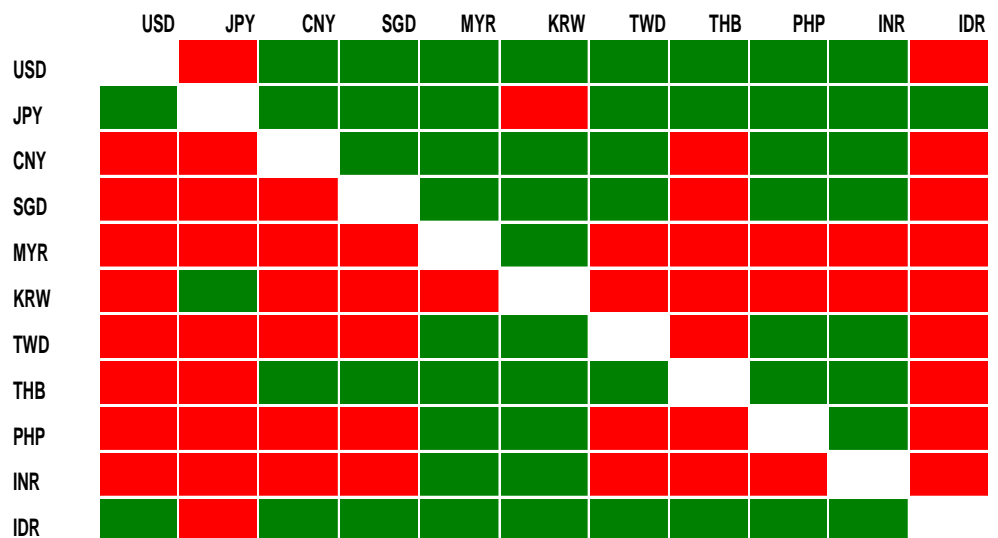
Source: Bloomberg

**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	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	
<b>STRUCTURAL</b>								
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	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
7	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
8	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
2	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45
3	29-Feb-16	10-Mar-16	S	EUR-USD	1.0923	1.1070	Contrasting short term data streams between EZ and US	-1.29
4	14-Mar-16	15-Mar-16	B	GBP-USD	1.4380	1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	-1.41
5	18-Mar-16	24-Mar-16	B	EUR-USD	1.1321	1.1150	Tilt in policy balance after ECB and FOMC	-1.53

Source: OCBC Bank

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