

**Friday, September 30, 2016**

## **FX Themes/Strategy/Trading Ideas**

- Shades of risk aversion (from Deutsche news flow and consequent EZ banking sector concerns) overtook the markets on Thursday with the cyclicals underperforming across the board and leading the G10 pack lower against the USD. The CHF in particular saw sizeable gains across the majors and against the USD, given that the epicenter of the latest bout of jitters emanate from Europe. Elsewhere, the USD also found support at the margins with scattered Fed-speak attempting to talk up rate hike prospects.
- Meanwhile, negative US equities and above mentioned EZ banking concerns while cited safe haven bids pulled UST yields lower (10y at 1.556%). To boot, the **FXSI (FX Sentiment Index)** inched higher on the day within Risk-Neutral territory.
- Into the end of the week, background risk aversion may keep investors slightly nervous while notable data points include EZ Sep CPI, US Aug PCE deflator, personal spending/income, Sep Michigan sentiment and Chicago PMI. Meanwhile, the Fed's Kaplan is scheduled for 1700 GMT.
- Amidst accumulating positive risk appetite, we think the **AUD-USD** may attempt to continue to vector north in the near term. With a spot ref of 0.7685 on Thursday, we target 0.7895 and place a stop at 0.7575.
- Elsewhere, while the flip side of positive risk appetite and background skepticism surrounding the Fed (and BOJ) is expected to keep the USD under water, we think the **USD-JPY** remains ideally positioned to capitalize on recurring USD vulnerability. We look for a 98.05 objective from a spot ref of 101.65 while placing a stop at 103.50.

## **Asian FX**

- A darker risk appetite complexion should underpin the regional pairings intra-day. On the macro front, manufacturing PMIs out of Asia this morning were somewhat supportive of macro fundamentals, with Korea's PMI deteriorating to 47.6, while Malaysia's improved to 48.6. Elsewhere, the Caixin China manufacturing PMI improved slightly to 50.1 as expected. Overall, the **ACI (Asian Currency Index)** is expected to end higher on the day and on the week, denoting a firmer USD tone.
- With clouds gathering on the risk appetite horizon, the **SGD NEER** is weaker on the day at around -0.36% below its perceived parity (1.3608). NEER-implied USD-SGD thresholds are also firmer on the day with -0.50% at

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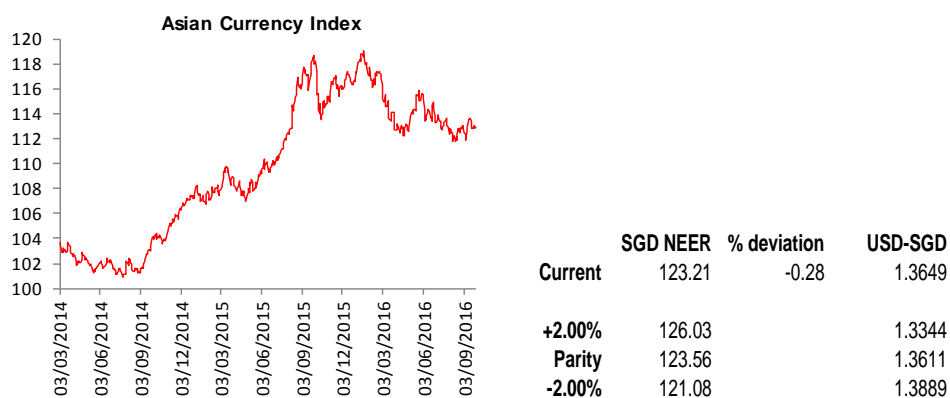
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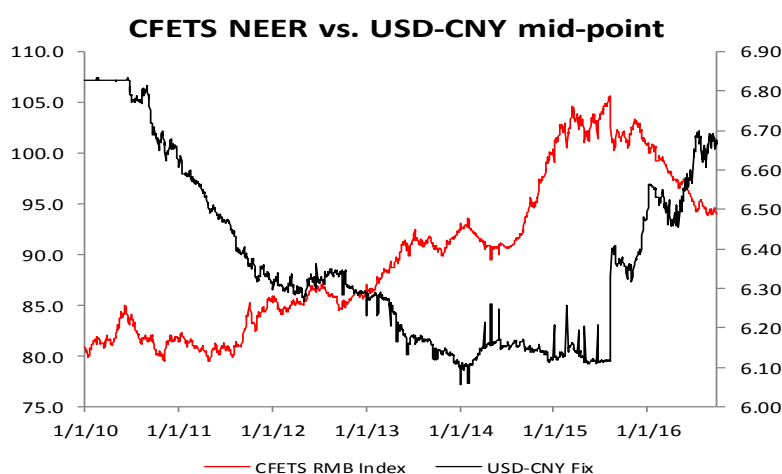
**Emmanuel Ng**  
+65 6530 4073  
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

1.3677 and +0.50% at 1.3540. Into the end of the week, risk of further decay in the NEER towards -1.00% (1.3745) cannot be ruled out. From a technical perspective, the 200-day MA (1.3715) may cap on initial upticks.



Source: OCBC Bank

- Today, the **CFETS RMB Index** inched up to 94.07 from 94.00 on Thursday with the USD-CNY mid-point gaining to 6.6778 against 6.6700 yesterday. The realized volatility of the mid-points have eased noticeably in recent week, although as stated previously, we will monitor the time path of the Index post-SDR and the Golden Week holidays for a clearer read on the authorities' intentions.



Source: OCBC Bank, Bloomberg

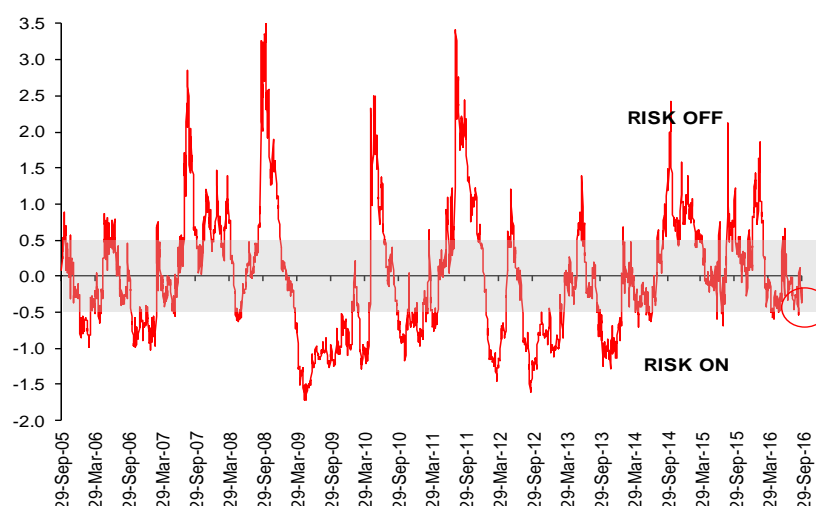
## G7

- EUR-USD** Despite negative pressure from banking sector headlines, Sep EZ confidence indicators and Sep German CPI numbers essentially came in on the better end of expectations, lending marginal support to the pair. Market nervousness may remain palpable with risk towards the 1.1175 neighborhood a visible prospect, while 1.1250 should continue to cap.
- USD-JPY** USD-JPY relapsed from intraday highs on heightened investor jitters by late NY while early Friday in Asia, published summary opinions within the BOJ's Sep MPC (which detailed doubts over the

paradigm shift) failed to shift the USD-JPY perceptibly. In the interim, USD-JPY may anchor itself around 101.00 but may tilt lower if risk aversion heightens.

- **AUD-USD** Intra-day, the AUD (and the rest of the cyclicals) may remain a casualty of fear, and any failure to re-take 0.7650 may weigh the pair towards its 55-day MA (0.7589).
- **GBP-USD** A top heavy stance may persist today after the GBP-USD leaked below 1.3000 once again on Thursday. Dovish BOE expectations are expected to continue to permeate the market, especially if incoming data points remain soft.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXEX	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

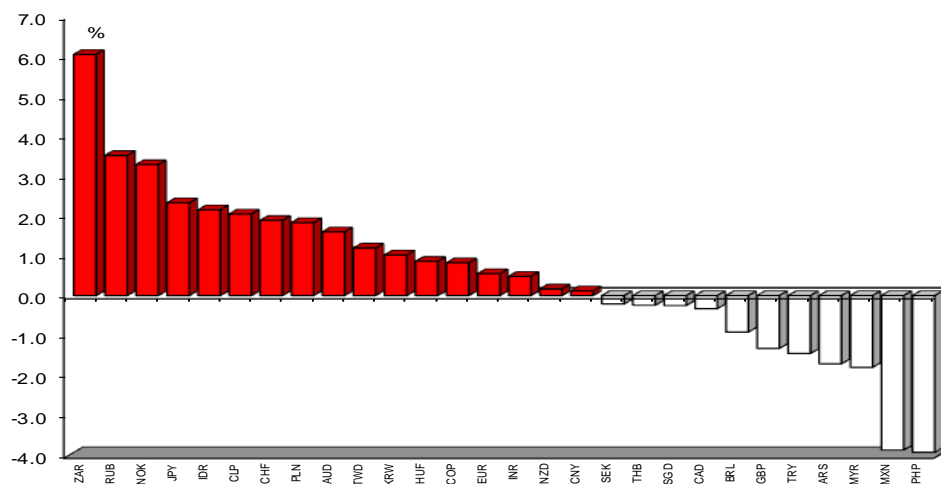
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.1193	1.1200	1.1218	1.1283	1.1300
<b>GBP-USD</b>	1.2900	1.2915	1.2963	1.3000	1.3130
<b>AUD-USD</b>	0.7596	0.7600	0.7636	0.7700	0.7732
<b>NZD-USD</b>	0.7205	0.7243	0.7258	0.7300	0.7420
<b>USD-CAD</b>	1.3055	1.3100	1.3153	1.3200	1.3227
<b>USD-JPY</b>	99.94	101.00	101.08	101.86	102.00
<b>USD-SGD</b>	1.3525	1.3600	1.3647	1.3697	1.3698
<b>EUR-SGD</b>	1.5289	1.5300	1.5310	1.5365	1.5398
<b>JPY-SGD</b>	1.3282	1.3500	1.3504	1.3600	1.3601
<b>GBP-SGD</b>	1.7496	1.7600	1.7690	1.7700	1.7757
<b>AUD-SGD</b>	1.0271	1.0400	1.0420	1.0466	1.0492
<b>Gold</b>	1302.10	1303.76	1323.80	1332.34	1349.71
<b>Silver</b>	18.64	19.10	19.19	19.20	19.56
<b>Crude</b>	45.59	47.60	47.65	47.70	48.36

Source: OCBC Bank

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

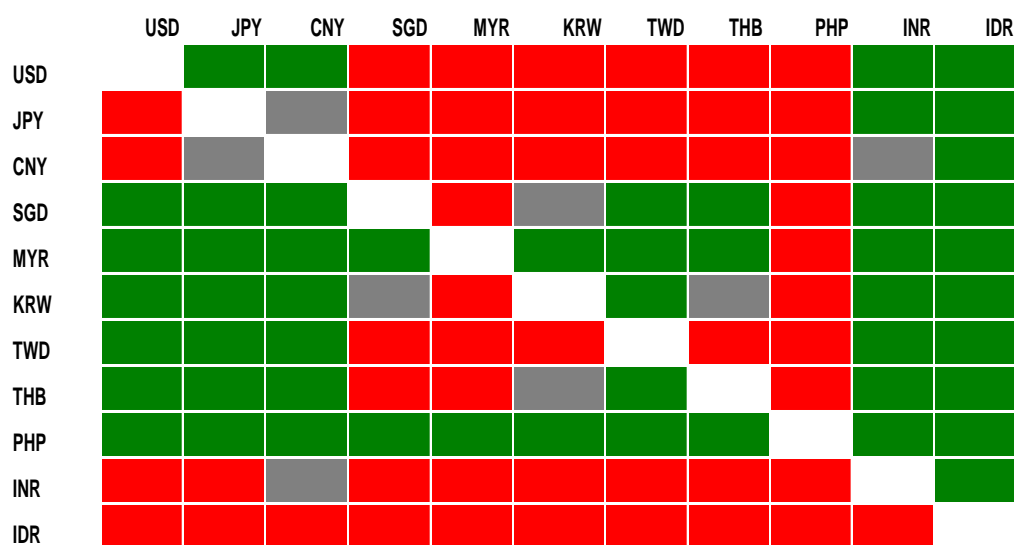


Source: Bloomberg

### G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
AUD								
NZD								
EUR								
GBP								
JPY								
CAD								
USD								
SGD								

Source: OCBC Bank

**Asia FX Heat Map**

Source: OCBC Bank

### FX Trade Ideas

FX Trade Rules								
	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
	TACTICAL							
1	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
2	29-Sep-16	B	AUD-USD	0.7685	0.7895	0.7575	Position for sustained positive risk appetite	
3	29-Sep-16	S	USD-JPY	101.65	98.05	103.50	Skepticism towards Fed/BOJ	
	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	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclical, search for yield	8.37
2	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
3	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
4	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.36
5	25-Aug-16	29-Sep-16	B	GBP-USD	1.3210	1.3040	Moderating short term pessimism	-1.32
	Jan-Aug 2016 Return							+7.80

Source: OCBC Bank

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