

Wednesday, November 30, 2016

### FX Themes/Strategy/Trading Ideas

- Markets may look to US data releases (Nov ADP, Oct core PCE deflator and pending home sales, Nov Chicago PMI, and the Beige Book) and the string of Fed appearances (Kaplan, Powell, Mester) for further cues, with the broad dollar overnight undermined by softening US yields despite better than expected 3Q 16 GDP and Nov consumer confidence readings and supportive comments from the Fed's Powell. In the interim, expect also cited month-end flows and profit taking to keep investors guessing.
- On other fronts, global risk appetite levels remained fairly static with the **FXSI (FX Sentiment Index)** ticking slightly higher within Risk-Neutral territory on Tuesday and with Asian equities starting off in positive territory this morning.
- Our 18 Nov 16 idea to be tactically long **USD-JPY** (spot ref: 110.19) was closed at the profit stop of 111.95 on Monday for an implied +1.57% gain as the broad dollar capitulated lower.
- Elsewhere, with the broad dollar dynamic shifting hard in the near term, we also took profit on our idea to be structurally long **AUD-USD** from 07 Mar 16 (spot ref: 0.7412) at 0.7483 on Monday for an implied +2.09% gain.
- With the broad dollar continuing to capitulate and ahead of the headline risks posed by the OPEC meeting, we close out our 26 Oct 16 idea to be long **USD-CAD** (spot ref: 1.3356) at 1.3431 on Wednesday for an implied +0.59% gain.
- With the USD likely in ascendance at this juncture and political risks expected to continue to accumulate into 2017, we undertake a structural short **EUR-USD**. With a spot ref at 1.0641 on Monday, we target 0.9855 and place a stop at 1.1035.

### Asian FX

- Regional currency pairs may remain largely in stasis in the short term pending external cues although vulnerability to the dollar may continue to emanate from potentially firmer US yields and jitters towards EM. Pending further cues, the **ACI (Asian Currency Index)** may be range bound at this juncture.
- **SGD NEER:** The **SGD NEER** is relatively softer on the day at around -0.15% below its perceived parity (1.4213) with the broad dollar's retreat pulling the

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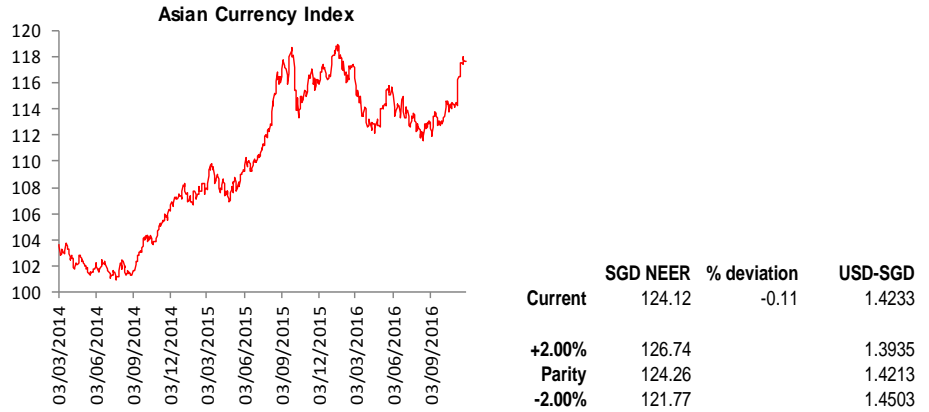
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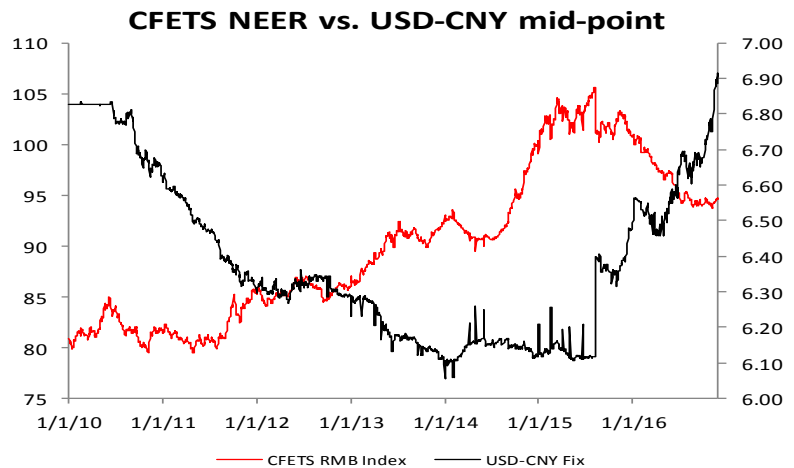
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NEER-implied USD-SGD thresholds a touch lower from yesterday. Intra-day, expect the basket to continue to ply a -0.10% to -0.50% range. At current levels, the -0.50% threshold is estimated at 1.4285, well within the near term expected range of 1.4200-1.4300 ahead of the US data stream and Fed speak later in the global day.



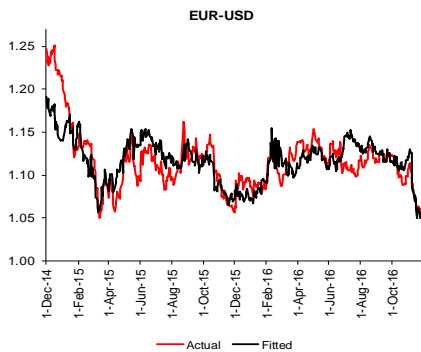
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point fell slightly to 6.8865 from 6.8889 on Tuesday, with the **CFETS RMB Index** gaining to 94.68 compared to 94.65 yesterday. With relative calm returning to global markets (for now), rule-based estimates for the daily mid-points are once again regaining favor. Post the US election outcome, it is now evidently clear that the authorities' stance was once of containment of spot volatility, with the Index absorbing the resultant volatility (which in the current episode, saw the Index firming, further tempering broad-based depreciation expectations). At this juncture therefore, expect the spot CNH-CNY basis to retain a tightening bias.



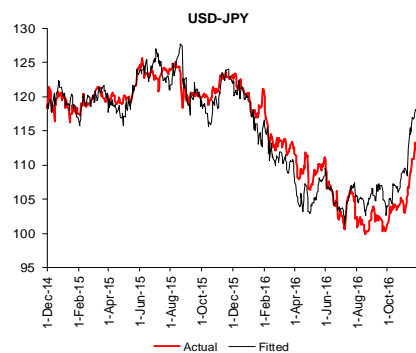
Source: OCBC Bank, Bloomberg

**G7**



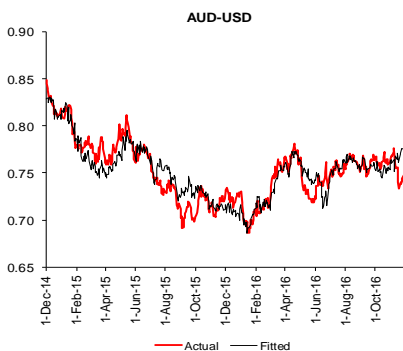
Source: OCBC Bank

- EUR-USD** As the Italian referendum on Sunday approaches, expect market caution to heighten, especially with the ECB explicitly on over watch. Short-term valuations meanwhile remain essentially southerly (but relatively calm) ahead of Draghi (1245 GMT). If the 1.0650 handle is not re-taken, expect risk for another probe back towards 1.0550.



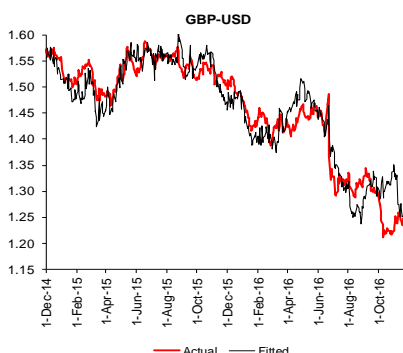
Source: OCBC Bank

- USD-JPY** USD-JPY may continue to attempt to base build around the 112.00 neighborhood with short-term valuations also taking a hiatus on the upside. Stay tuned for US-centric volatility in the current session, however, and the pair may potentially traverse the recent 111.35-113.35 range.



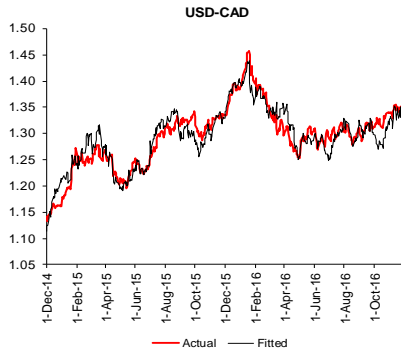
Source: OCBC Bank

- AUD-USD** The AUD-USD may remain largely featureless (and bi-polar) in the near term despite a slight wobble in the commodity complex. Elsewhere, short-term valuations are still attempting to float higher on risk appetite and metals although we expect the pair to be met with resistance from its 200-day MA (0.7525). Initial support is seen towards 0.7440 ahead of 0.7400.



- GBP-USD** The GBP-USD was lifted partially by better than expected Oct lending data on Tuesday. The pair remains comfortably within its fair value confidence intervals with resistance expected towards the 55-day MA (1.2527) and 1.2560 while 1.2400 continues to serve as a near term support ahead of the BOE Financial Stability Report later today.

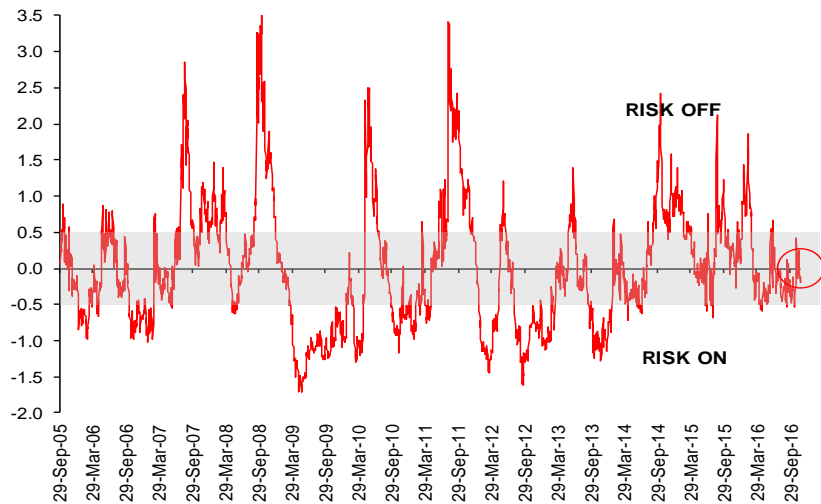
Source: OCBC Bank



- USD-CAD** Short-term valuations remain static at this juncture although they exhibit no signs of capitulating lower. Stay cautious towards headline risks in the current session in view of the OPEC meeting. Market odds seem to favor a heavy stance, with a breach of 1.3400 opening the way to 1.3365 in the short term.

Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	0.964	0.988	0.944	-0.343	0.322	0.985	0.483	-0.920	0.660	0.979	-0.997
CHF	0.993	0.946	0.980	0.935	-0.293	0.372	0.982	0.498	-0.910	0.624	0.971	-0.987
SGD	0.988	0.951	1.000	0.932	-0.326	0.318	0.990	0.454	-0.875	0.653	0.987	-0.982
JPY	0.985	0.948	0.990	0.954	-0.255	0.353	1.000	0.439	-0.897	0.595	0.985	-0.974
CNY	0.979	0.951	0.987	0.946	-0.322	0.346	0.985	0.456	-0.886	0.595	1.000	-0.978
CNH	0.977	0.986	0.962	0.951	-0.361	0.241	0.968	0.363	-0.937	0.680	0.964	-0.982
USGG10	0.971	0.940	0.979	0.922	-0.331	0.332	0.975	0.455	-0.860	0.653	0.972	-0.967
TWD	0.969	0.955	0.977	0.928	-0.316	0.286	0.980	0.391	-0.873	0.676	0.969	-0.965
CAD	0.966	0.967	0.965	0.909	-0.375	0.176	0.962	0.300	-0.889	0.747	0.946	-0.965
IDR	0.964	1.000	0.951	0.946	-0.468	0.163	0.948	0.316	-0.938	0.701	0.951	-0.977
MYR	0.948	0.936	0.963	0.898	-0.350	0.201	0.959	0.309	-0.848	0.715	0.942	-0.944
KRW	0.943	0.872	0.966	0.829	-0.183	0.491	0.951	0.612	-0.765	0.718	0.934	-0.922
PHP	0.939	0.940	0.915	0.842	-0.547	0.176	0.899	0.358	-0.861	0.820	0.900	-0.943
THB	0.882	0.895	0.852	0.771	-0.521	0.037	0.834	0.239	-0.815	0.860	0.807	-0.889
CCN12M	0.835	0.802	0.853	0.793	-0.056	0.346	0.881	0.318	-0.756	0.599	0.834	-0.811
INR	0.592	0.690	0.539	0.502	-0.508	-0.297	0.510	-0.163	-0.598	0.742	0.522	-0.601
GBP	0.240	0.407	0.295	0.329	-0.456	-0.360	0.304	-0.419	-0.248	0.389	0.319	-0.282
NZD	-0.919	-0.878	-0.869	-0.796	0.326	-0.275	-0.846	-0.483	0.853	-0.735	-0.842	0.908
AUD	-0.924	-0.899	-0.888	-0.804	0.397	-0.321	-0.874	-0.497	0.827	-0.749	-0.885	0.925
EUR	-0.997	-0.977	-0.982	-0.950	0.391	-0.275	-0.974	-0.431	0.933	-0.665	-0.978	1.000

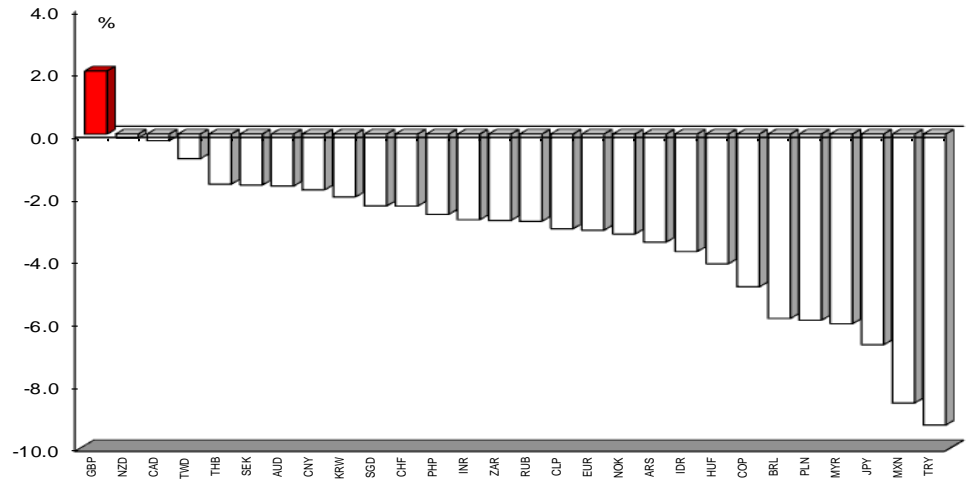
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0518	1.0600	1.0644	1.0700	1.0946
GBP-USD	1.2400	1.2467	1.2486	1.2500	1.2563
AUD-USD	0.7311	0.7400	0.7483	0.7500	0.7522
NZD-USD	0.7037	0.7100	0.7139	0.7164	0.7200
USD-CAD	1.3324	1.3400	1.3437	1.3500	1.3567
USD-JPY	106.39	112.00	112.36	113.00	113.90
USD-SGD	1.3916	1.4200	1.4234	1.4300	1.4365
EUR-SGD	1.5074	1.5100	1.5151	1.5200	1.5215
JPY-SGD	1.2579	1.2600	1.2670	1.2700	1.2857
GBP-SGD	1.7349	1.7700	1.7773	1.7800	1.7878
AUD-SGD	1.0545	1.0600	1.0651	1.0700	1.0793
Gold	1150.43	1170.30	1188.90	1200.00	1263.66
Silver	16.15	16.50	16.58	16.60	17.72
Crude	43.80	45.40	45.44	45.50	47.70

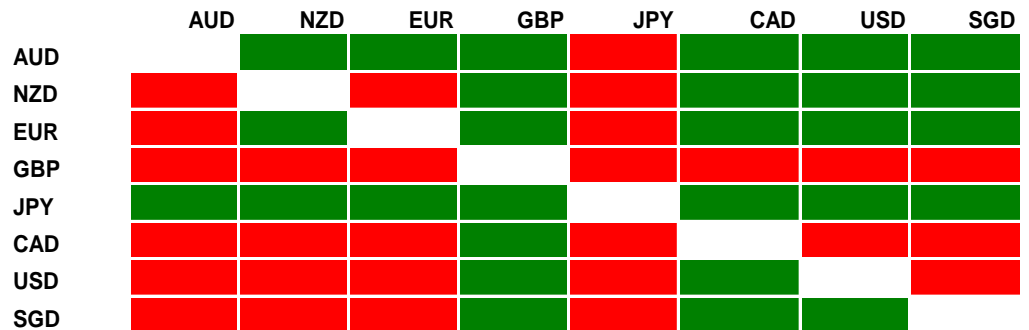
Source: OCBC Bank

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



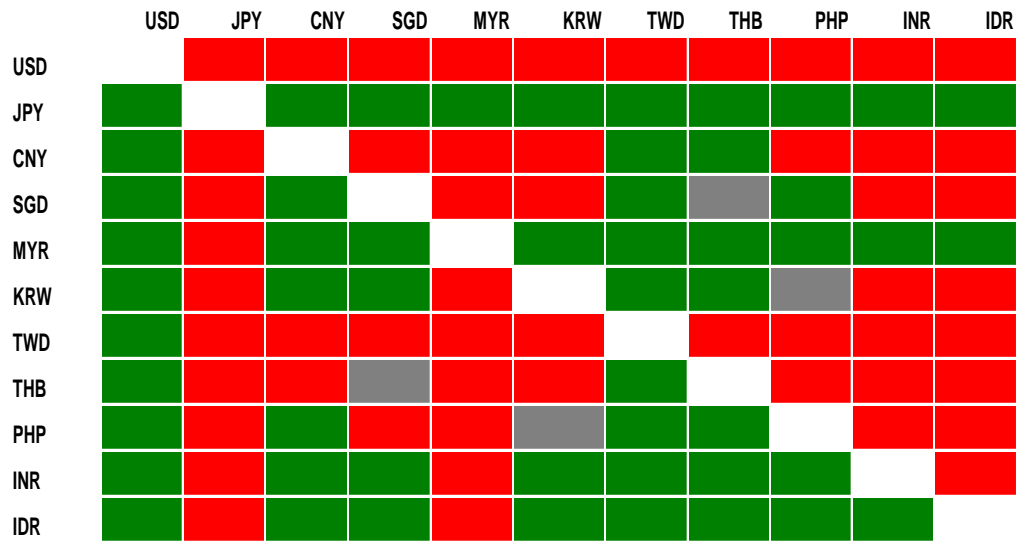
Source: Bloomberg

**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	26-Oct-16	B	USD-CAD	1.3356	1.3635	1.3210	Softening crude, dovish BOC, potential USD strength	
2	14-Nov-16	B	USD-SGD	1.4172	1.4375	1.4070	USD strength and EM jitters post-US elections	
3	18-Nov-18	S	AUD-USD	0.7397	0.7190	0.7505	Potential negative side effects from new US administration	
4	21-Nov-16	S	EUR-USD	1.0605	1.0360	1.0730	USD, resilience, policy dichotomy, potential EZ political tensions	
STRUCTURAL								
5	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
6	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
7	28-Nov-16	S	EUR-USD	1.0641	0.9855	1.1035	USD in ascendance, political risk premium in EZ	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	05-Oct-16	03-Nov-16	S	EUR-USD	1.1222	1.1125	Fade ECB-taper talk, potential US resilience	+1.00
2	12-Oct-16	04-Nov-16	S	GBP-USD	1.2271	1.2464	Fade GBP-USD upticks	-1.50
3	25-Aug-16	07-Nov-16	B	USD-SGD	1.3527	1.3866	Moderating net inflows in Asia, potential for broad USD uptick	+2.39
4	08-Nov-16	09-Nov-16	B	AUD-USD	0.7708	0.7610	Accumulating risk appetite despite USD resilience	-1.29
5	06-Oct-16	09-Nov-16	B	USD-JPY	103.48	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	-1.60
6	18-Nov-18	28-Nov-16	B	USD-JPY	110.19	111.95	Firmer USD post-Yellen	+1.57
7	07-Mar-16	28-Nov-16	B	AUD-USD	0.7412	0.7483	Potential risk appetite, abating global growth concerns, static Fed expectations	+2.09
<b>Jan-Oct 2016 Return</b>								<b>+3.91</b>

Source: OCBC Bank

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