

Friday, January 13, 2017

### FX Themes/Strategy/Trading Ideas

- Except for the GBP, the USD weakened across G10 space on Thursday in the wake of the Trump press conference and as the UST curve softened. Elsewhere, the antipodeans continued to outperform across the board while the GBP-USD relinquished intra-day gains to end lower as Brexit concerns resurfaced
- Thus far, investors seemly have not abandoned the structural Trump trade although a reassessment into the week of the week seems likely. Early in Asia' remarks from the Fed's Yellen continued to underscore the Fed's confidence in the state of the US labor markets while Kaplan overnight was pointing towards three rate hikes this year.
- For today, the data calendar includes US Dec retails sales while the Fed's Harker (1430 GMT) is scheduled for an appearance. In Asia, Dec China trade numbers are also on tap and although readings from China's monetary aggregates came in slightly above prior expectations on Thursday, investors are still likely to gloss over the supportive macro readings and instead focus on CNY (depreciation) prospects.
- Negative EZ/US equities failed to deter global risk appetite levels, with the **FXSI (FX Sentiment Index)** still slipping lower within Risk-Neutral territory. This we think would continue to be conducive for carry within G10.
- With greenback disappointment towards the dollar post the Trump press conference continuing to lift the **AUD-USD**, we exited our structural short AUD-USD (via a bearish seagull) idea from 20 Dec 16 at 0.7490 for an implied -1.75% of notional.
- With the **USD-JPY** ascent likely punctured for now post-Trump, we expect room for a consolidation lower as investors re-group. From a spot-ref of 114.63 on Thursday, we undertake a tactical short and target 110.50 while leaving a stop at 116.75.
- On other fronts, with the reflation narrative coming to the fore at the expense of the Trump/FOMC trade in the near term, we also see potential for the **AUD-USD** to probe higher. With a spot ref at 0.7463 on Thursday, we look for a 0.7670 objective, and place a stop at 0.7355.

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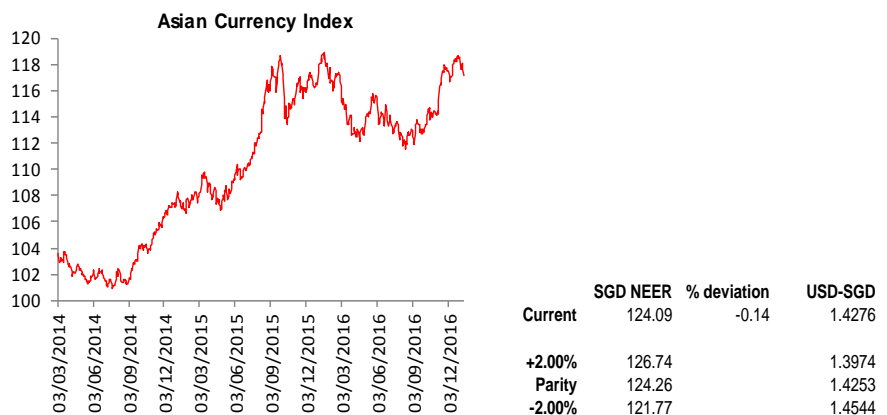
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### Asian FX

- Slightly wobbly Asian equities early Friday may not temper significantly the

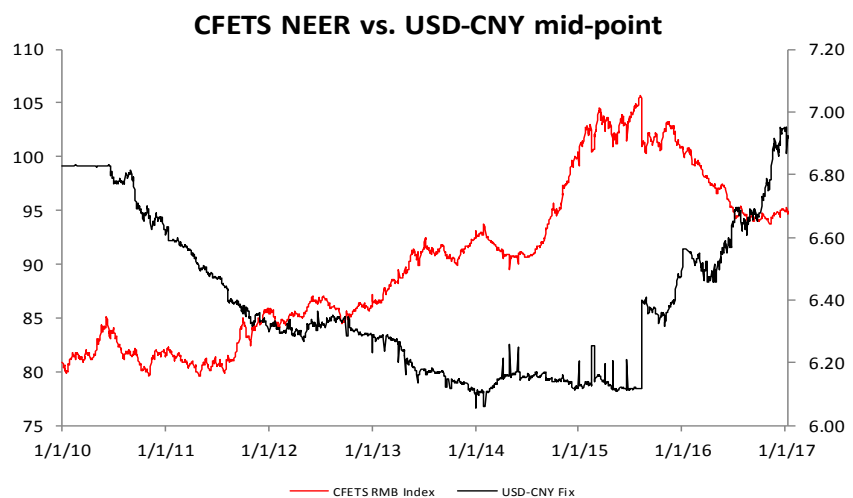
tendency for a top heavy stance in the regional pairs and the **ACI (Asian Currency Index)** if USD skepticism continues to circulate. On other fronts, the BOK remained static at 1.25% this morning as widely expected but lowered its 2017 GDP forecast to 2.50% from 2.8% previously.

- SGD NEER:** The SGD NEER is relatively softer on the day at around -0.13% below its perceived parity (1.4253). NEER-implied USD-SGD thresholds are yet softer on the day as dollar bullishness continues to de-gas. We continue to expect the NEER to subsist south of its parity with any probes above short-lived. At current levels, the -0.50% threshold corresponds to 1.4325. On the downside, any sustained violation of the 55-day MA (1.4257) risks a move to 1.4215/20 but this would be subject to NEER-implied restraints. In the near term, dollar skepticism may continue to circulate.



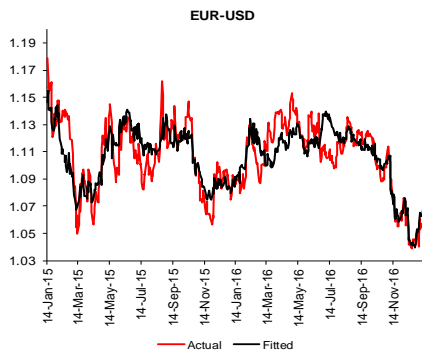
Source: OCBC Bank

- CFETS RMB Index:** Today, the USD-CNY mid-point fell to 6.8909 (as largely expected) from 6.9141 on Thursday, lifting the **CFETS RMB Index** higher to 94.78 from 94.68 yesterday.



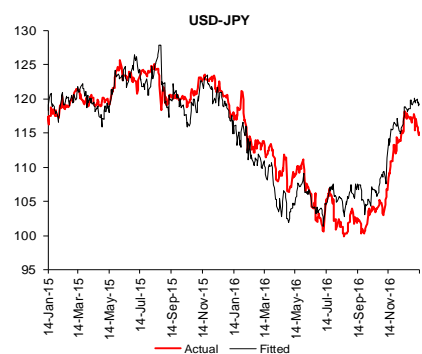
Source: OCBC Bank, Bloomberg

**G7**



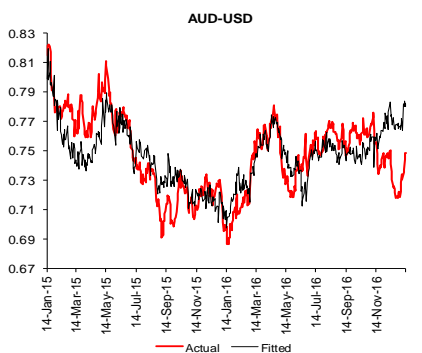
Source: OCBC Bank

- EUR-USD** Short-term implied valuations are still attempting to reach higher and the EUR-USD is perceived to have potential headroom on the upside before hitting overvalued territory. On the macro front, note also that Nov 16 industrial production also came in hotter than expected. Overall, investors may pick bottoms towards 1.0575 while eyeing the 55-day MA (1.0646).



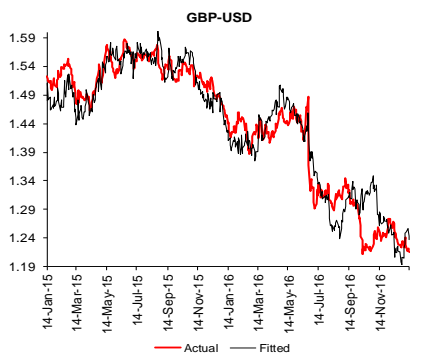
Source: OCBC Bank

- USD-JPY** USD-JPY may continue to disregard relatively higher short term implied valuations in the near term if the broad dollar continues to stay vulnerable. Our near term view remains unchanged at expect risk for a sustained violation of 115.00. Beyond this threshold, way points include the .236 Fibo retracement at 114.33, the 55-day MA (112.93), before the .382 Fibo level of 111.61.



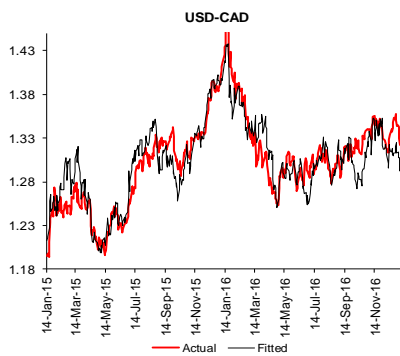
Source: OCBC Bank

- AUD-USD** With the commodity complex continually supportive in the current episode of dollar skepticism, we retain our near tem view that the AUD-USD may be expected to continue to reel itself towards its (still) firmer short term implied valuations. A concerted challenge of the key 0.7500 resistance towards 0.7545 would not be unexpected.



Source: OCBC Bank

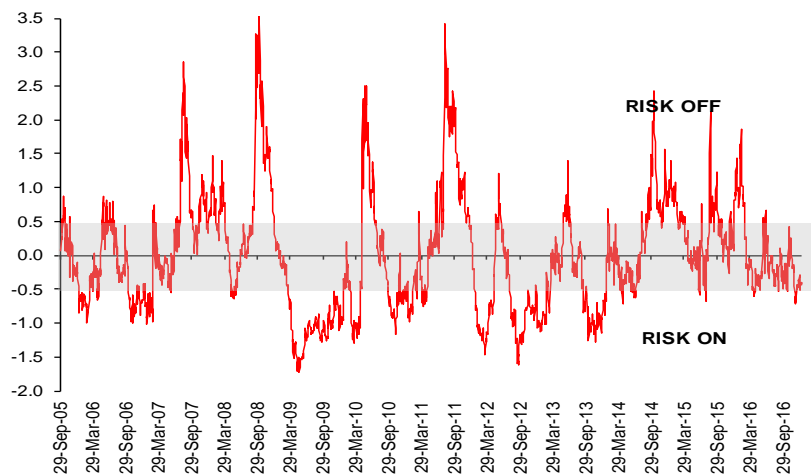
- GBP-USD** Brexit concerns are likely to continue to dominate with PM May's scheduled speech on Brexit next week. The pound remains our pet bear with short-term implied valuations also tipping lower (despite the current USD environment). Negative space towards 1.2080 may remain a distinct possibility.



- USD-CAD** A heavy broad dollar coupled with solidifying crude in recent sessions are expected to keep the USD-CAD under near term downward pressure. Short term implied valuations for the pair remain soggy on a multi-session horizon and we look towards the key 1.3100 support.

Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.653	0.865	-0.297	-0.769	-0.586	0.878	0.025	0.004	-0.470	0.626	-0.975
CHF	0.953	0.817	0.833	-0.355	-0.831	-0.616	0.919	-0.131	0.137	-0.282	0.751	-0.973
SGD	0.910	0.595	0.842	-0.550	-0.798	-0.522	0.858	0.105	0.230	-0.430	0.770	-0.899
JPY	0.878	0.763	0.738	-0.351	-0.743	-0.616	1.000	-0.130	0.169	-0.309	0.649	-0.912
CNY	0.865	0.541	1.000	-0.381	-0.626	-0.573	0.738	-0.009	0.155	-0.285	0.767	-0.828
THB	0.860	0.575	0.701	-0.316	-0.855	-0.469	0.765	0.257	0.016	-0.597	0.580	-0.826
CAD	0.819	0.578	0.720	-0.569	-0.857	-0.343	0.717	0.300	0.276	-0.461	0.755	-0.789
IDR	0.781	0.372	0.698	-0.454	-0.721	-0.362	0.681	0.422	0.216	-0.642	0.521	-0.717
PHP	0.727	0.867	0.666	-0.380	-0.830	-0.573	0.736	-0.171	0.137	0.009	0.720	-0.806
USGG10	0.653	1.000	0.541	-0.331	-0.833	-0.465	0.763	-0.204	0.214	0.085	0.653	-0.722
CNH	0.626	0.653	0.767	-0.656	-0.727	-0.471	0.649	-0.098	0.500	0.027	1.000	-0.683
MYR	0.582	-0.124	0.506	-0.204	-0.202	-0.198	0.382	0.327	-0.054	-0.742	0.067	-0.464
TWD	0.574	0.082	0.614	-0.434	-0.472	-0.100	0.408	0.538	0.318	-0.631	0.435	-0.449
KRW	0.506	-0.179	0.542	-0.103	-0.201	-0.149	0.243	0.435	-0.183	-0.683	0.243	-0.345
CCN12M	0.488	0.378	0.575	-0.807	-0.611	-0.093	0.501	0.295	0.767	-0.138	0.719	-0.527
INR	0.190	-0.529	0.283	0.124	0.321	-0.034	-0.083	0.197	-0.241	-0.399	-0.059	-0.089
GBP	-0.186	0.461	-0.245	-0.097	-0.242	0.025	0.213	-0.189	0.320	0.434	0.113	-0.041
AUD	-0.825	-0.396	-0.711	0.467	0.757	0.364	-0.744	-0.353	-0.136	0.644	-0.619	0.782
NZD	-0.843	-0.320	-0.712	0.241	0.625	0.440	-0.701	-0.250	0.164	0.722	-0.499	0.776
EUR	-0.975	-0.722	-0.828	0.335	0.778	0.618	-0.912	0.097	-0.075	0.361	-0.683	1.000

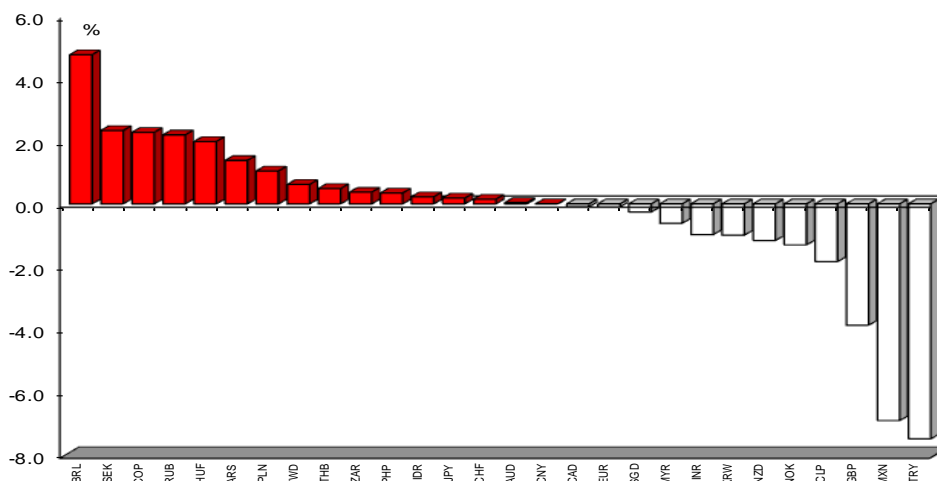
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0570	1.0600	1.0615	1.0638	1.0700
<b>GBP-USD</b>	1.2100	1.2119	1.2167	1.2200	1.2411
<b>AUD-USD</b>	0.7497	0.7500	0.7502	0.7525	0.7600
<b>NZD-USD</b>	0.7095	0.7100	0.7118	0.7200	0.7239
<b>USD-CAD</b>	1.3098	1.3100	1.3141	1.3200	1.3365
<b>USD-JPY</b>	114.00	114.79	114.97	115.00	118.56
<b>USD-SGD</b>	1.4200	1.4245	1.4273	1.4285	1.4300
<b>EUR-SGD</b>	1.5100	1.5139	1.5150	1.5187	1.5200
<b>JPY-SGD</b>	1.2250	1.2400	1.2415	1.2446	1.2500
<b>GBP-SGD</b>	1.7312	1.7345	1.7366	1.7400	1.7735
<b>AUD-SGD</b>	1.0670	1.0700	1.0707	1.0714	1.0800
<b>Gold</b>	1125.40	1191.04	1194.20	1200.00	1206.96
<b>Silver</b>	15.75	16.70	16.78	16.80	16.86
<b>Crude</b>	51.38	53.00	53.09	53.10	54.60

Source: OCBC Bank

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



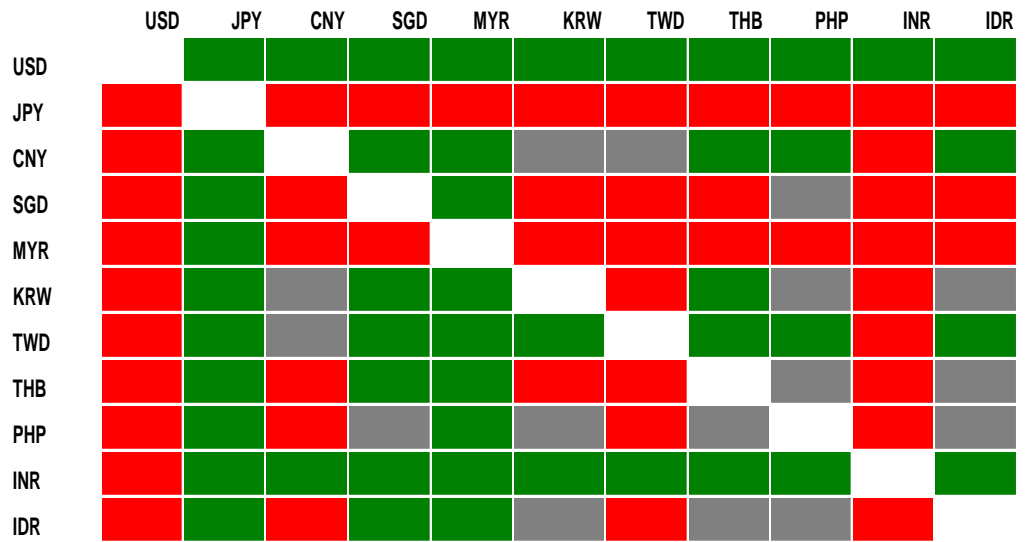
Source: Bloomberg

**G10 FX Heat Map**

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD		Red	Grey	Red	Green	Red	Red	Red	Grey
NZD	Green		Green	Red	Green	Green	Red	Green	Green
EUR	Grey	Red		Red	Green	Red	Red	Red	Grey
GBP	Green	Green	Green		Green	Green	Green	Green	Green
JPY	Red	Red	Red	Red		Red	Red	Red	Red
CAD	Green	Red	Green	Red	Green		Red	Green	Green
USD	Green	Green	Green	Red	Green	Green		Green	Green
SGD	Green	Red	Green	Red	Green	Red	Red		Green
MYR	Grey	Red	Grey	Red	Green	Red	Red	Red	

Source: OCBC Bank

**Asia FX Heat Map**



Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>								
1	27-Dec-16	S	GBP-USD	1.2276	1.1805 1.2515	A50 risks, UK current account deficits, broad USD strength		
2	09-Jan-17	S	USD-CAD	1.3264	1.3000 1.3400	Supportive crude and labor market numbers		
3	12-Jan-17	S	USD-JPY	114.63	110.50 116.75	Downward consolidation post-Trump press conference		
4	12-Jan-17	B	AUD-USD	0.7463	0.7670 0.7355	Reflation may dominate as the Trump trade pauses		
<b>STRUCTURAL</b>								
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		
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	01-Dec-16	29-Dec-16	B	USD-JPY	114.54	116.40	New lease of life for USD from higher UST yields	+1.78
2	19-Dec-16	30-Dec-16	S	EUR-USD	1.0464	1.0620	Ensuing hawkish Fed rhetoric post-FOMC	-1.41
3	27-Dec-16	02-Jan-17	B	USD-CAD	1.3530	1.3390	Policy dichotomy, Trump Trade, slight de-linking with crude	-1.09
4	20-Dec-16	05-Jan-17	B	USD-SGD	1.4481	1.4399	Hostile USD/risk appetite environment for Asian FX, SGD	-0.57
5	19-Dec-16	10-Jan-17	S	AUD-USD	0.7294	0.7359	FOMC outcome forcing a near term reassessment of carry	-0.93
6	20-Dec-16			Bearish 2M AUD-USD Seagull Spot: 0.7243; Strikes: 0.7007, 0.7232, 0.7451; Cost: 0.41%			USD resilience, reassessment of carry, static RBA, sketchy fiscal outlook	-1.75*
	*of notional						2016 Return	+6.91

Source: OCBC Bank

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