

Tuesday, August 15, 2017

### FX Themes/Strategy/Trading Ideas

- Despite North Korean/US cross talk on Monday, an improvement in risk appetite and firmer UST yields (supportive comments from the Fed's Dudley pointing towards prospects for a third rate hike this year) underpinned the dollar against haven currencies and its other G10 counterparts.
- Elsewhere, the AUD slipped across G10 space presumably on slightly soft July China economic releases while iron ore continued to slide for a second consecutive session. Markets may also have taken the excuse of softer than expected July EZ industrial production to pare EUR positioning while weakening crude also helped lift the USD-CAD.
- Today, look to China July monetary aggregates while RBA meeting minutes (0130 GMT), German 2Q GDP, UK CPI (0830 GMT), and US Jul retail sales (1230 GMT). In terms of central bank-speak, the calendar is sparse with the ECB's Dombret scheduled for 0815 GMT. **Overall, in G10 space, if risk aversion continues to fade, expect yield differential arguments to steer FX (especially USD-JPY) in the near term, while investors may continue to stay light with respect to the cyclical.**
- With dollar vulnerability still being muddled by potential for risk aversion, we closed out our 18 July 17 idea to be tactically short **USD-SGD** (spot ref: 1.3671) at 1.3611 on Monday for an implied +0.40% gain.

### Asian FX

- In terms of net portfolio inflows for Asia, some recovery in investor inflows may be expected if risk appetite continues to recover this week. As of last Friday, the INR, IDR, and THB still witnessed relatively more robust inflows on a rolling month basis, with the KRW and TWD undermined by collapsing/weak net inflows. Elsewhere, we note that net inflows have been mildly supportive of the PHP despite its recent weakness. Intra-day, a positive global equity landscape meanwhile may blunt USD resilience in Asia and keep USD-Asia top heavy.
- Overall, with global EM shares climbing overnight after three prior sessions of losses and the **FXSI (FX Sentiment Index)** ticking lower within Risk-Neutral territory, expect the **ACI (Asian Currency Index)** to contemplate the downside.
- **SGD NEER:** Today, the SGD NEER is slightly softer on the day at around +0.59% above its perceived parity (1.3710). Following overnight USD

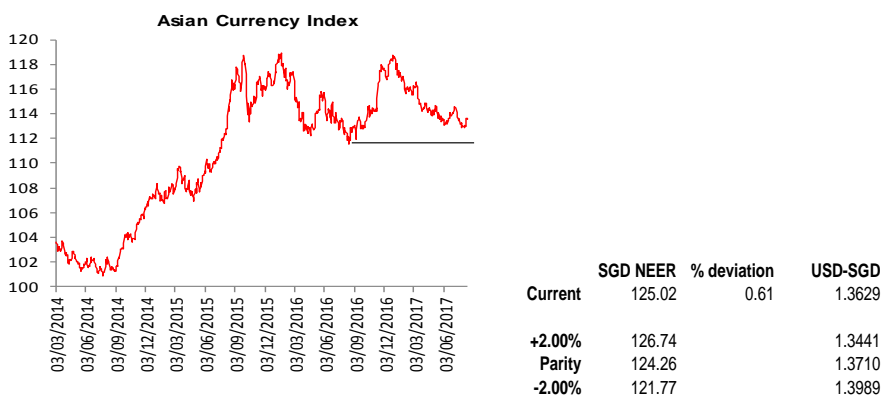
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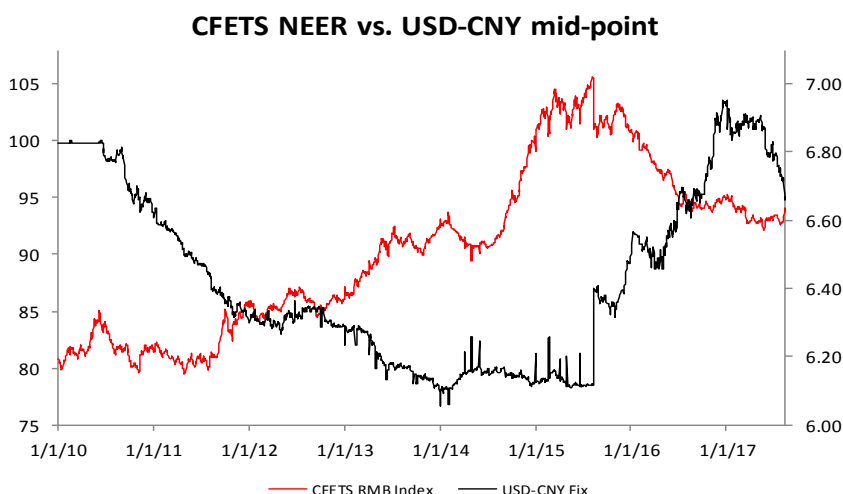
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moves, NEER-implied USD-SGD thresholds are a touch firmer on the day with +0.50% estimated at 1.3642 and +0.80% at 1.3601, with the latter expected to hold for the USD-SGD pending further external headlines.



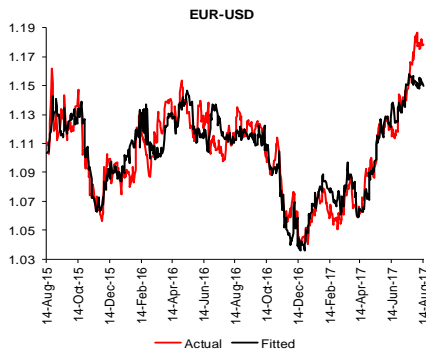
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point rose (as largely expected) to 6.6689 from 6.6601 on Monday. This however saw the CFETS RMB Index holding relatively unchanged at 93.86



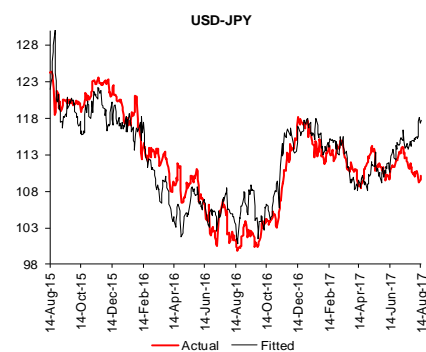
Source: OCBC Bank, Bloomberg

**G7**



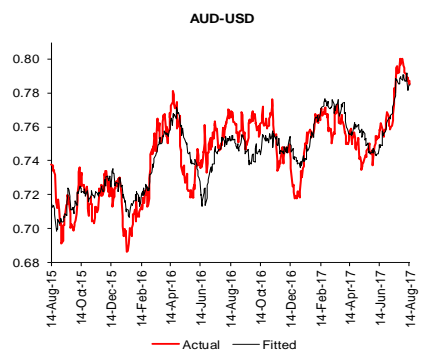
Source: OCBC Bank

- **EUR-USD** Short term implied valuations remain downcast for the EUR-USD and investors may take this opportunity to offload some EUR longs, especially if rate differential arguments continue to weigh on the pair. As such, the floor at 1.1760 may be increasingly fragile in the near term ahead of 1.1700 and 1.1670.



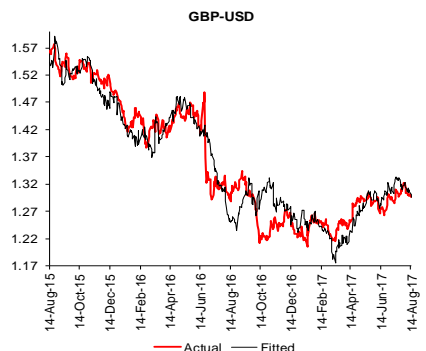
Source: OCBC Bank

- **USD-JPY** Short term implied valuations remain underpinned and moderating risk aversion coupled with yield differential and short-end vol surface arguments may keep the USD-JPY supported in the near term while hovering in the vicinity of 110.00.



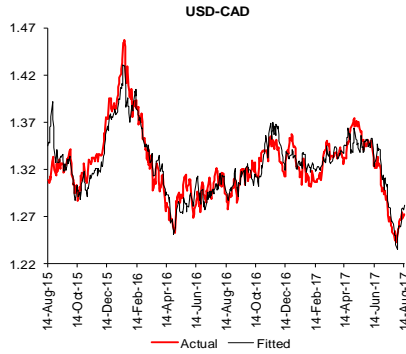
Source: OCBC Bank

- **AUD-USD** This morning, RBA meeting minutes were sufficiently sanguine (as expected AUD jawboning notwithstanding). The community meanwhile may continue to remain slightly reluctant in chasing the cyclicals significantly higher at this juncture, in line with somewhat subdued short term implied valuations. Expect price action to be slightly top heavy within 0.7850-0.7930.



Source: OCBC Bank

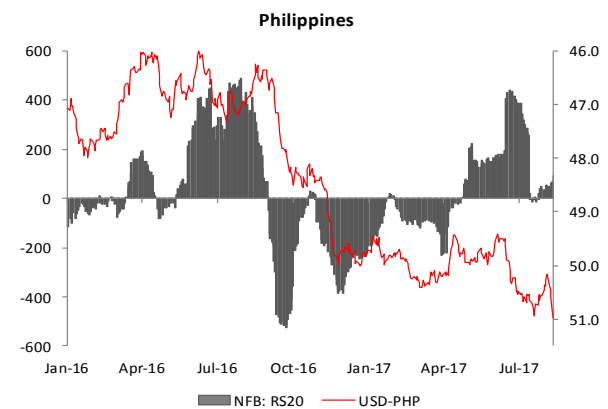
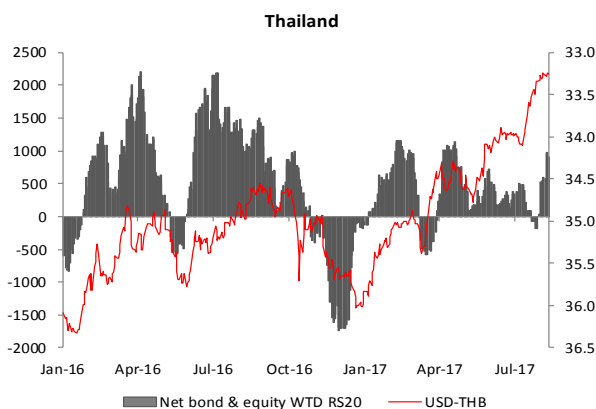
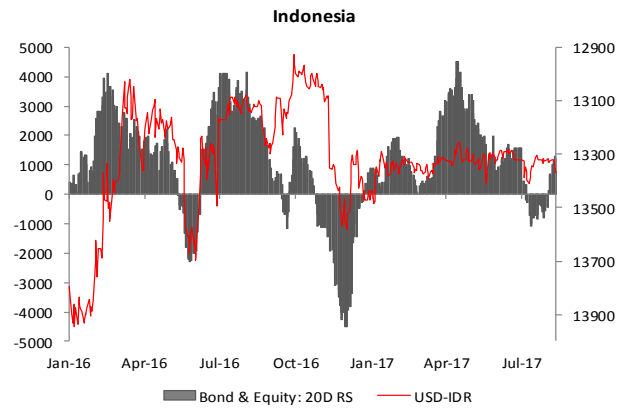
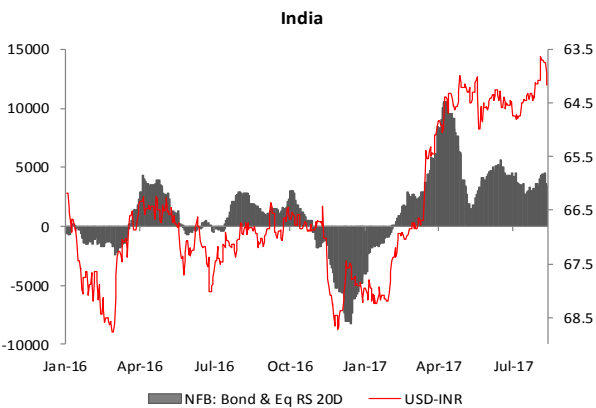
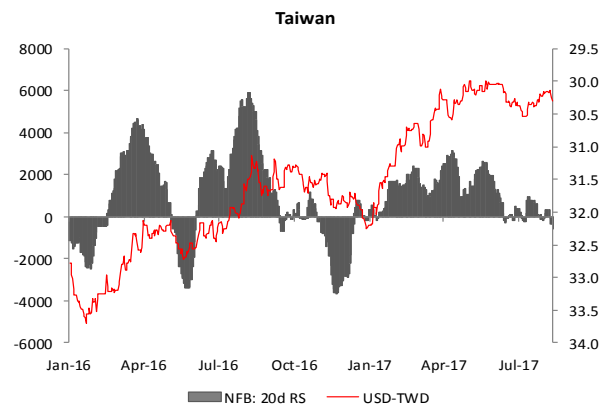
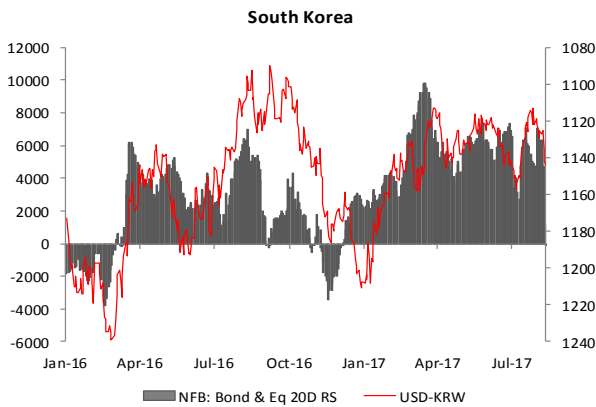
- **GBP-USD** GBP-USD may remain weighted amidst the current dollar bounce with short term implied valuations continuing to light the way south. UK July CPI readings may instigate additional volatility (given the potential impact on BOE expectations). As noted previously, the 55-day MA (1.2933) and 1.2900 may continue to attract.

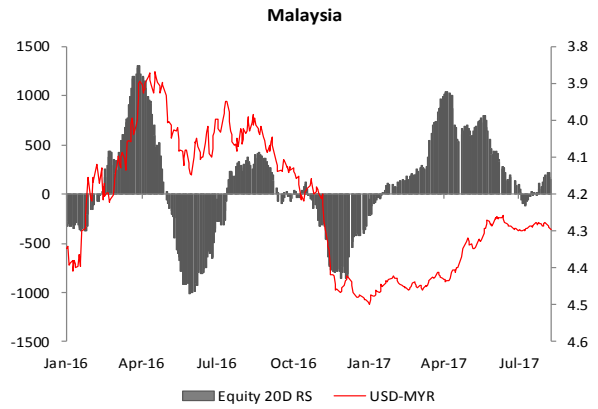


- USD-CAD** USD-CAD may continue to bounce on dips with the loonie not able to catch a break given near term USD resilience and crude soggy. Not surprisingly, short term implied valuations remain buoyant and the pair may attempt to edge towards 1.2780/00 with 1.2650 seen yielding good support on dips.

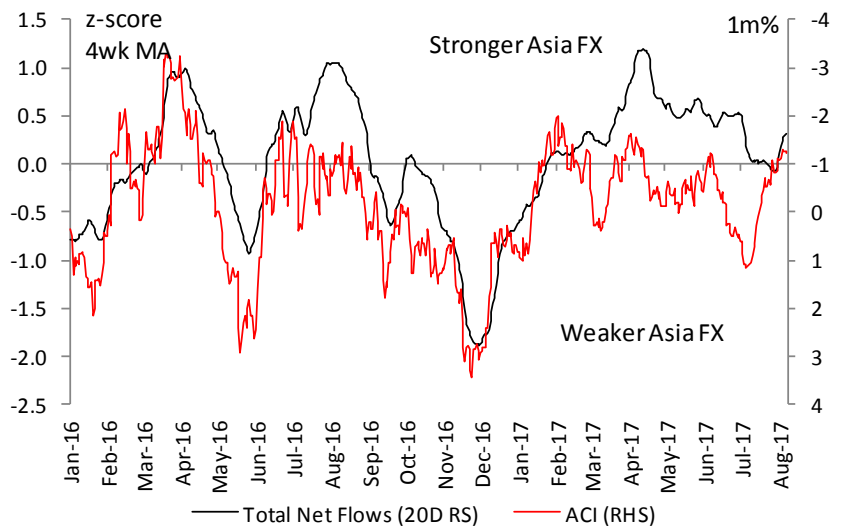
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

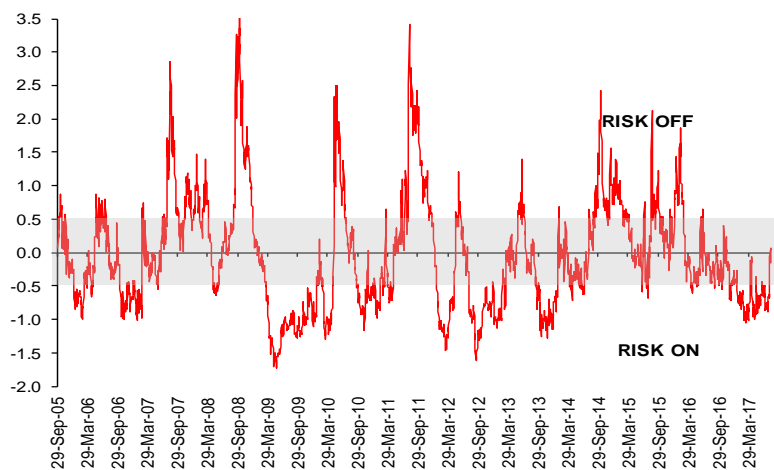




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.392	0.566	-0.03	-0.358	-0.71	0.816	-0.758	-0.347	-0.021	0.566	-0.98
THB	0.877	0.43	0.73	0.037	-0.483	-0.729	0.888	-0.777	-0.453	-0.064	0.726	-0.89
SGD	0.818	-0.062	0.145	-0.245	-0.358	-0.664	0.466	-0.708	-0.002	0.262	0.153	-0.744
JPY	0.816	0.721	0.891	0.38	-0.104	-0.467	1	-0.56	-0.745	-0.455	0.902	-0.835
TWD	0.676	0.084	0.486	-0.244	-0.669	-0.781	0.564	-0.81	-0.12	0.26	0.445	-0.715
CNH	0.566	0.707	0.986	0.576	0.035	-0.323	0.902	-0.41	-0.888	-0.659	1	-0.627
CNY	0.566	0.699	1	0.536	0.009	-0.329	0.891	-0.475	-0.865	-0.637	0.986	-0.613
INR	0.565	0.274	0.459	-0.21	-0.596	-0.647	0.511	-0.67	-0.154	0.231	0.417	-0.646
USGG10	0.392	1	0.699	0.55	0.245	0.04	0.721	0.008	-0.696	-0.599	0.707	-0.428
PHP	0.361	-0.318	-0.128	-0.535	-0.723	-0.607	-0.015	-0.588	0.373	0.681	-0.269	-0.347
CAD	0.12	-0.538	-0.595	-0.486	-0.15	-0.176	-0.32	-0.122	0.564	0.532	-0.595	0.014
MYR	0.024	-0.537	-0.535	-0.579	-0.442	-0.213	-0.33	-0.2	0.631	0.748	-0.603	0.05
CCN12M	-0.139	-0.563	-0.281	-0.109	-0.14	-0.278	-0.337	-0.235	0.2	0.31	-0.365	0.252
KRW	-0.247	-0.734	-0.818	-0.673	-0.344	0.018	-0.636	0.144	0.827	0.759	-0.824	0.329
NZD	-0.25	0.512	0.548	0.575	0.338	0.359	0.232	0.282	-0.584	-0.666	0.546	0.138
IDR	-0.304	-0.41	-0.574	-0.476	-0.425	0.068	-0.507	0.143	0.644	0.67	-0.643	0.361
AUD	-0.346	0.33	0.317	0.517	0.404	0.545	0.087	0.443	-0.389	-0.611	0.358	0.255
GBP	-0.468	0.337	0.184	0.321	0.32	0.556	0.005	0.513	-0.291	-0.42	0.244	0.369
CHF	-0.516	-0.143	-0.501	0.072	0.402	0.671	-0.503	0.659	0.248	-0.109	-0.502	0.593
EUR	-0.98	-0.428	-0.613	0.039	0.401	0.717	-0.835	0.769	0.37	0.022	-0.627	1

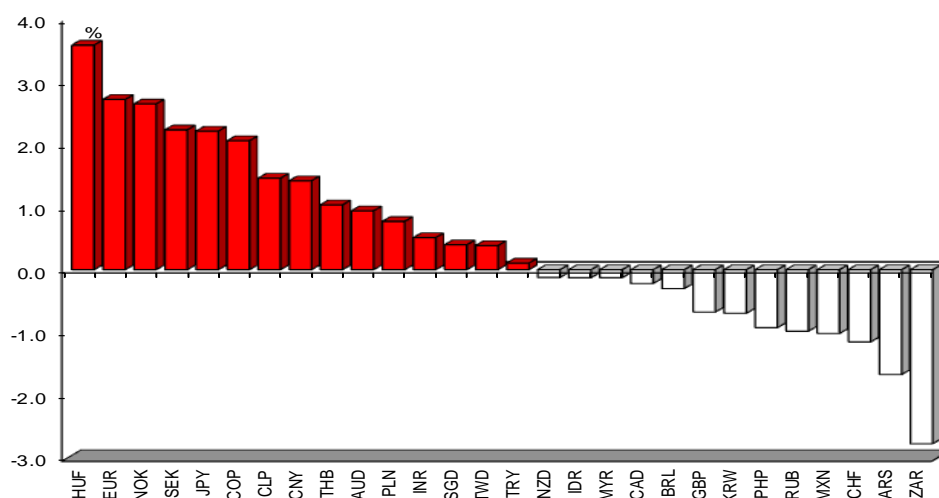
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1568	1.1700	1.1787	1.1800	1.1910
GBP-USD	1.2900	1.2933	1.2962	1.3000	1.3220
AUD-USD	0.7800	0.7843	0.7865	0.7900	0.8016
NZD-USD	0.7245	0.7300	0.7306	0.7316	0.7400
USD-CAD	1.2414	1.2700	1.2724	1.2776	1.2800
USD-JPY	109.02	110.00	110.19	111.00	111.39
USD-SGD	1.3543	1.3600	1.3630	1.3670	1.3700
EUR-SGD	1.5774	1.6000	1.6065	1.6100	1.6163
JPY-SGD	1.2300	1.2324	1.2370	1.2400	1.2468
GBP-SGD	1.7600	1.7640	1.7668	1.7700	1.7712
AUD-SGD	1.0686	1.0700	1.0721	1.0800	1.0886
Gold	1238.68	1252.86	1274.60	1289.47	1291.10
Silver	16.55	16.90	16.93	17.00	17.17
Crude	46.60	47.60	47.65	47.70	50.43

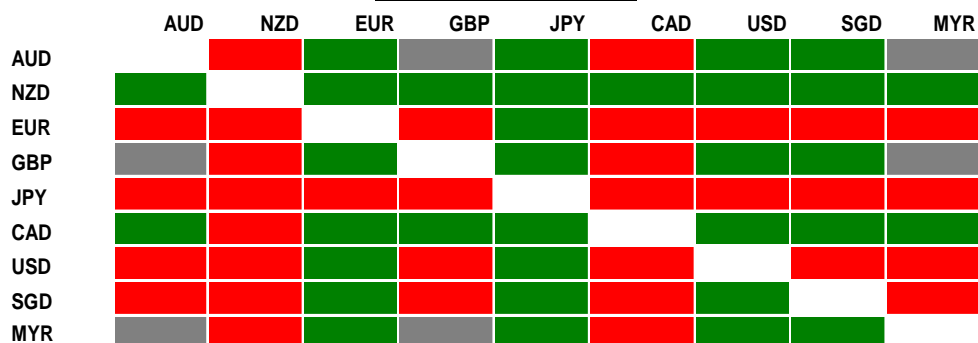
Source: OCBC Bank

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



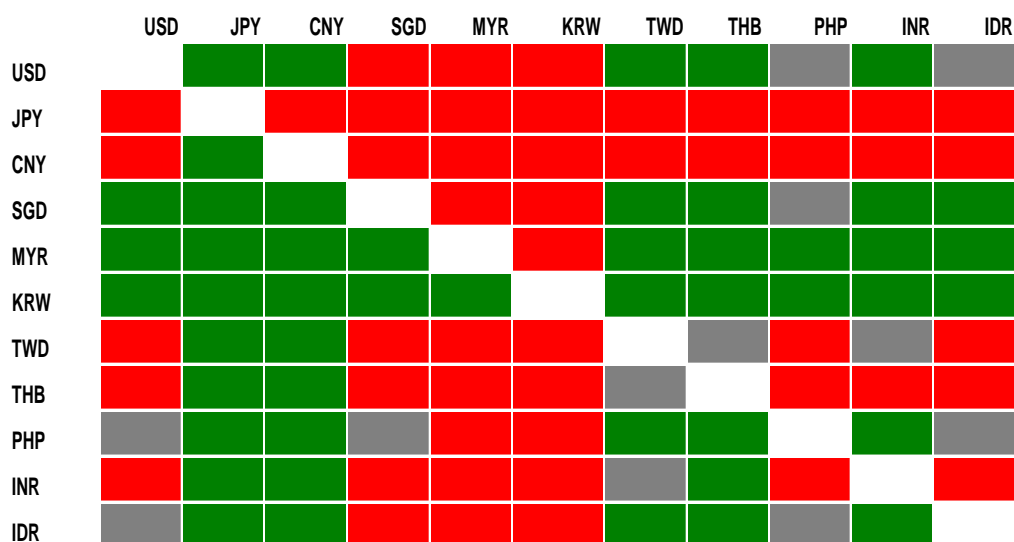
Source: Bloomberg

**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			
<b>TACTICAL</b>								
1	04-Jul-17	B	EUR-USD	1.1346 1.1965 1.1645	Draghi's change of stance in late June may further fuel the EUR			
2	01-Aug-17	S	USD-JPY	110.18 107.75 111.45	No surprises expected from Fed-speak after the last FOMC			
<b>STRUCTURAL</b>								
3	09-May-17	B	GBP-USD	1.2927 1.3500 1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish			
4	12-Jul-17		Bullish 2M 1X1.5 EUR-USD Call Spread Spot ref: 1.1455; Strikes: 1.1492, 1.1724; Exp: 12/09/17; Cost: 0.46%		ECB transitioning to neutral, Fed wavering			
5	12-Jul-17		Bearish 2M 1X1.5 USD-CAD Put Spread Spot ref: 1.2664; Strikes: 1.2653, 1.2415; Exp: 15/09/17; Cost: 0.50%		Hawkish BOC being increasingly priced in			
6	20-Jul-17		Bullish 2M 1X1.5 AUD-USD Call Spread Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65%		More positive than expected RBA minutes, supportive data, weak USD			
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	17-Jul-17	20-Jul-17	B	GBP-USD	1.3077	1.2935	BOE rhetoric and vulnerable USD	-1.11
2	28-Jun-17	21-Jul-17	B	USD-JPY	112.31	111.05	Yield differential argument supportive of the USD-JPY	-1.04
3	13-Jul-17	03-Aug-17	B	AUD-USD	0.7708	0.7935	Vulnerable USD, improving risk appetite, supportive China data	+2.89
4	05-Jun-17	03-Aug-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.24%		Increasingly endemic USD weakness, +ve risk appetite	+0.01	
5	01-Aug-17	04-Aug-17	B	GBP-USD	1.3207	1.3060	Expected trace of hawkishness at BOE MPC	-1.14
6	23-May-17	08-Aug-17	S	USD-CAD	1.3494	1.2667	USD skepticism, sanguine risk appetite, supported crude	+6.40
7	18-Jul-17		S	USD-SGD	1.3671	1.3611	Vulnerable USD, implicit inflow for SGD	+0.40
							<b>Jan-Aug*** 2017 Return</b>	<b>+0.63</b>
							<b>2016 Return</b>	<b>+6.91</b>
* realized **of notional ***month-to-date								

Source: OCBC Bank



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