

Thursday, June 15, 2017

### FX Themes/Strategy/Trading Ideas

- The USD collapsed broadly after disappointing May CPI and retail sales data points but managed to recoup most of its NY session losses against the EUR and GBP after the as expected 25bps hike (to 1.00-1.25%) by the FOMC.
- The USD-JPY however ended lower on the day while the antipodeans also managed to gain on the dollar (as well as across G10 space) day as the commodity bloc maintained its resilience despite crude slumping below 45.00 and mixed Chinese data earlier in the global session.
- Essentially, the **Fed/Yellen** stuck to the script and continue to look for a third hike and initiate balance sheet normalization (run-off caps detailed starting with a combined USD10bn cap initially – softer than some prior expectations) sometime this year while reiterating that the recent economic softness is likely transient. Growth forecasts for this year were raised but inflation projections were pared.
- The markets may have gotten its dovish hike as expected with **10y UST yields** never recovering fully from the post CPI/retail sales slump despite bottoming out partially post-FOMC. Note that the UST curve shifted lower and bull flattened from the back-end, perhaps also supported by the Trump/special counsel news flow.
- Overall, we remain wary of near term USD resilience, with investors likely to be distracted by non-USD factors beyond the short term. For today, look to **Aussie May labor market numbers** (0130 GMT), the **BOE MPC** (1100 GMT), while in Asia, **Bank Indonesia** is expected to stand pat at its policy meeting.
- Our 24 May 17 idea to be tactically short **USD-SGD** (spot ref: 1.3899) reached its 1.3745 objective on Wednesday. Given the dollar's demeanor post-FOMC, we extend our objective to 1.3590, trailing the stop to 1.3825.
- Our 23 May 17 idea to be tactically short **USD-CAD** (spot ref: 1.3494) reached its 1.3265 objective on Tuesday as the pair collapsed for a second consecutive session. Given that investors may continue to re-orient in the wake of the latest BOC comments, we extend our objective to 1.3045, trailing the stop to 1.3380.

Treasury Research &  
Strategy

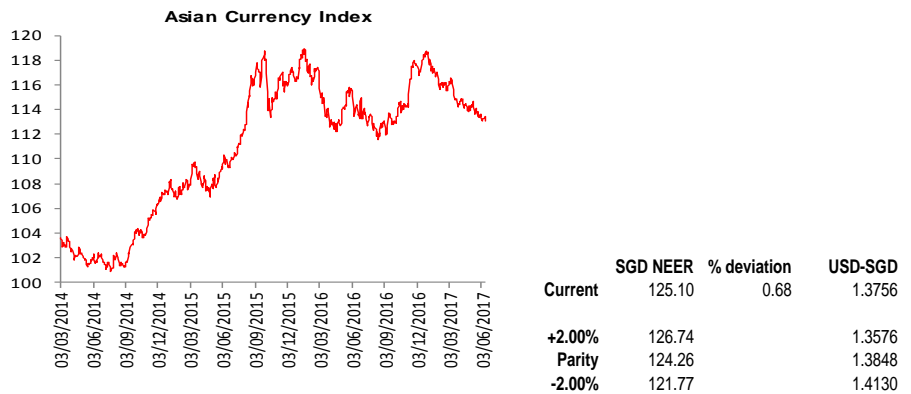
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### Asian FX

- Elsewhere, note that major EM FX pairs also strengthened against the

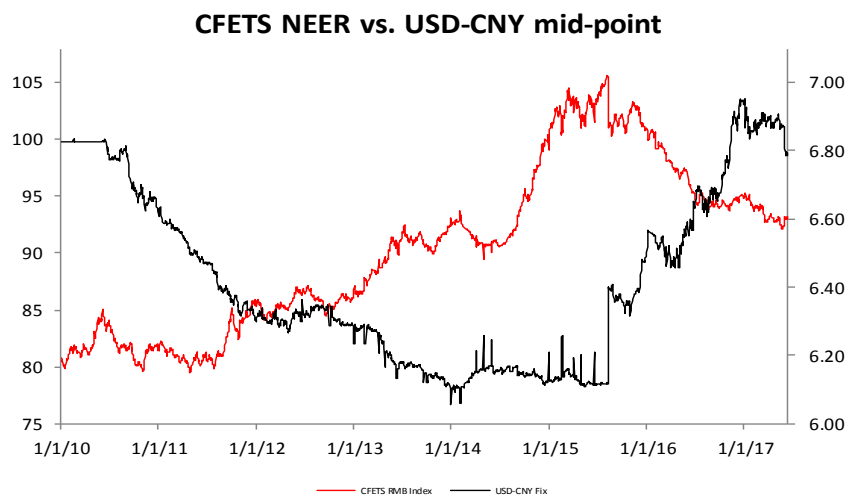
greenback overnight with Asian currencies expected to follow suit on Thursday. On the net portfolio inflow front (please refer to graphs below), we expect increasing support for the KRW, INR, IDR, PHP, continued stabilization for the THB, while the TWD may remain undermined. A caveat however may stem from a negative start to Asian equities this morning, with the **FXSI (FX Sentiment Index)** also edging higher within Risk-On territory on Wednesday. Overall, we'd expect the **ACI (Asian Currency Index)** to be softer on the day for the third consecutive session.

- SGD NEER:** Overnight, the SGD NEER topped out at around +0.85% as the USD was crushed but post-FOMC, the NEER has settled lower to around +0.68% this morning compared to +0.40% yesterday. NEER-implied USD-SGD thresholds are softer with implied parity at 1.3848 and the basket may continue to hover between +0.50% (1.3779) and +0.80% (1.3738).



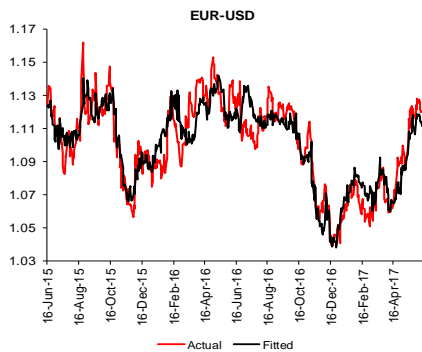
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point fell more than expected to 6.7852 this morning from 6.7939 yesterday. This pulled the CFETS RMB Index lower to 93.00 from 93.08 on Wednesday.



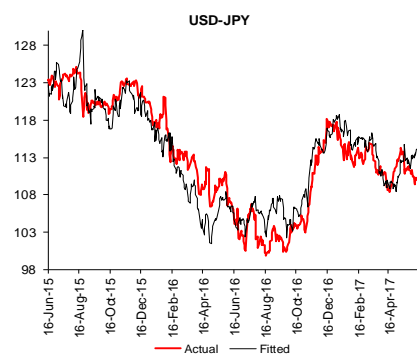
Source: OCBC Bank, Bloomberg

**G7**



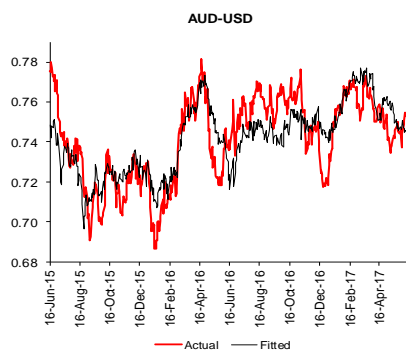
Source: OCBC Bank

- EUR-USD** Short term implied valuations have shifted higher in the wake of the FOMC and despite mixed rhetoric from the ECB's Weidmann and Knot yesterday. Overall, expect the pair to remain slightly sidelined with the 1.1200 locus still in play between 1.1300 up top and 1.1150 on the south side.



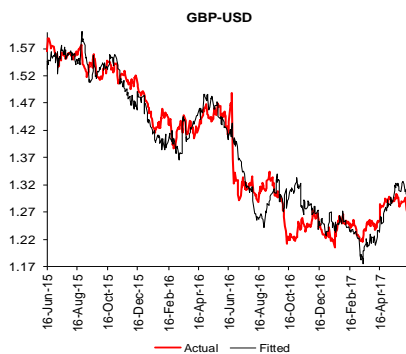
Source: OCBC Bank

- USD-JPY** Any additional negative US political sentiment may cap the USD-JPY in the near term. Meanwhile, short term implied valuations for the pair have tipped lower and USD-JPY remains, in our opinion, a barometer of confidence towards the Fed. At this juncture, the floor at 109.00 may continue to be threatened.



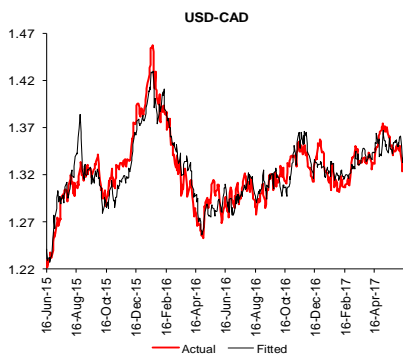
Source: OCBC Bank

- AUD-USD** The RBA's Debelle speaks at 0740 GMT today while the AUD-USD received another boost higher this morning on the better than expected May labor market numbers. Short term implied valuations meanwhile remain steadier to underpinned at this juncture, potentially putting a damper on excessive upside for the pair. Overall, expect a supported 0.7570-0.7650 range in the short term.



Source: OCBC Bank

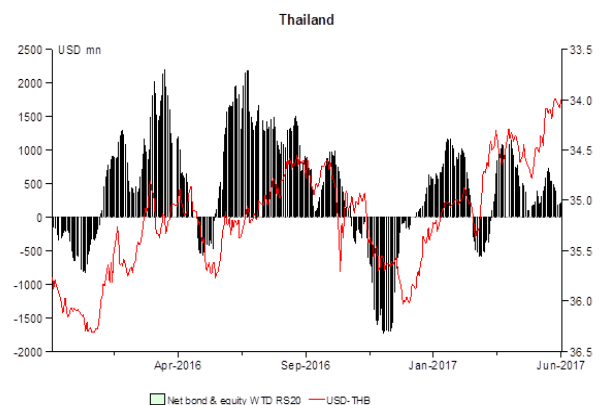
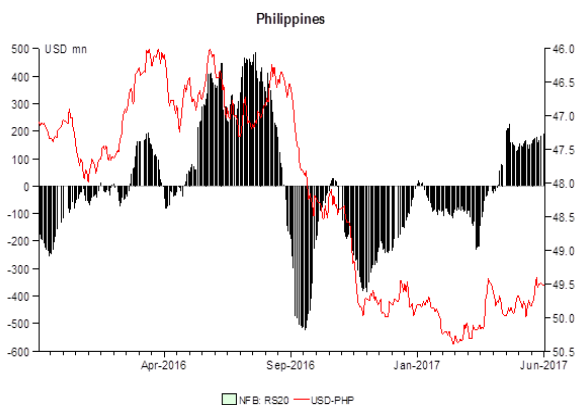
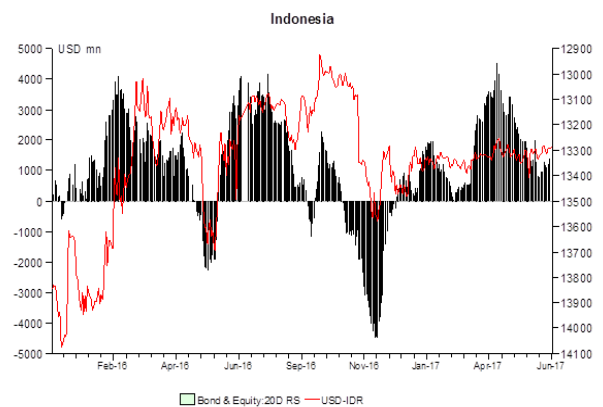
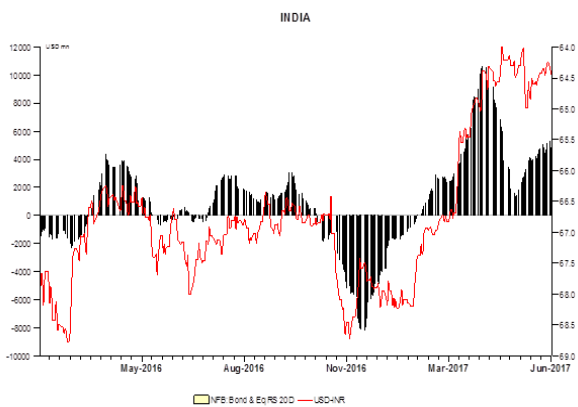
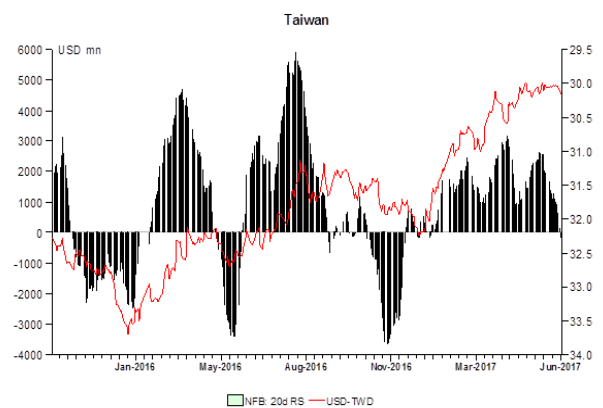
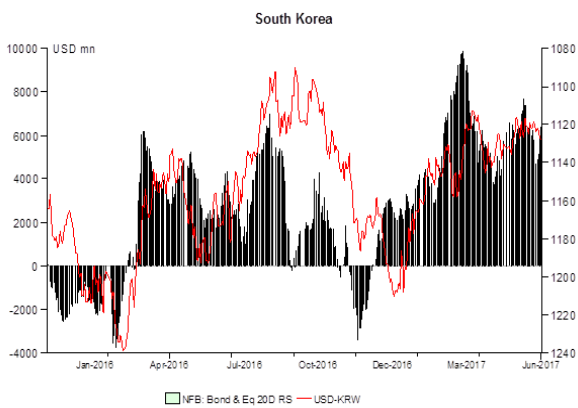
- GBP-USD** GBP-USD is essentially flat on the day despite the overnight volatility. Expect headline risks to dominate today with the BOE MPC, an address by finance minister Hammond, while the BOE's Carney speaks at 2000 GMT. Note that a Conservative-DUP deal has not been concluded as yet and short term implied valuations remain heavy. Expect markets to trade from the short side within between 1.2675 and 1.2800 in the interim.



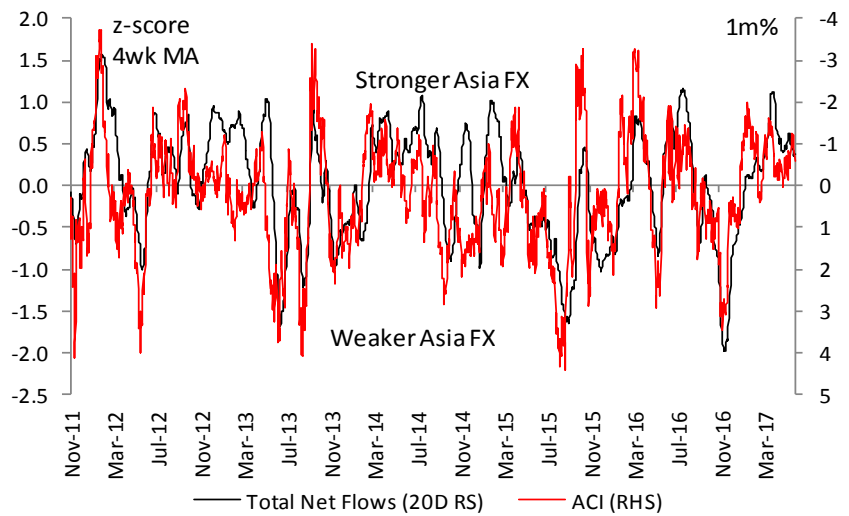
- USD-CAD** Slumping crude mixed with a volatile dollar left the USD-CAD near its previous close by late NY. Going ahead, damage to the pair's prospects from the "hawkish" comments out of the BOC earlier this week remains significant despite short term implied valuations attempting to bottom out. At this juncture, the floor at 1.3200 remains fragile.

Source: OCBC Bank

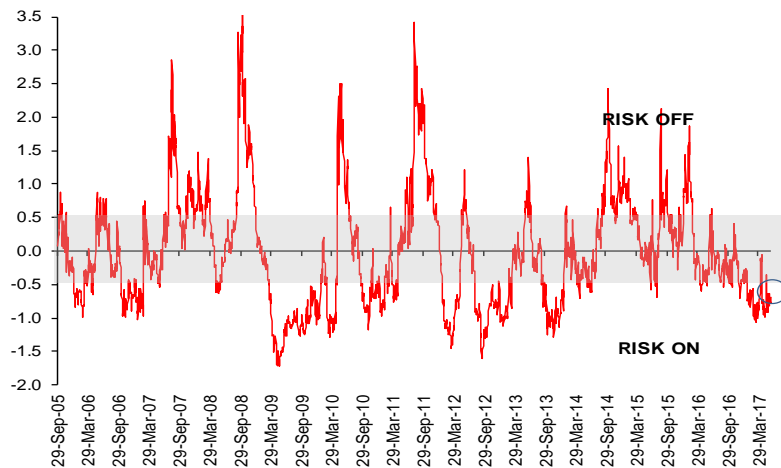
### USD-Asia VS. Net Capital Flows



### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.823	0.661	-0.530	-0.545	0.464	0.853	0.317	0.289	0.376	0.672	-0.985
CHF	0.969	0.845	0.743	-0.598	-0.605	0.552	0.845	0.383	0.301	0.393	0.747	-0.959
SGD	0.880	0.865	0.761	-0.684	-0.718	0.643	0.877	0.558	0.405	0.594	0.726	-0.802
JPY	0.853	0.932	0.807	-0.516	-0.626	0.696	1.000	0.640	0.034	0.563	0.721	-0.770
USGG10	0.823	1.000	0.806	-0.529	-0.618	0.709	0.932	0.591	0.076	0.462	0.764	-0.774
MYR	0.707	0.676	0.850	-0.871	-0.887	0.773	0.726	0.607	0.612	0.700	0.787	-0.670
THB	0.705	0.753	0.926	-0.860	-0.868	0.836	0.796	0.731	0.520	0.694	0.880	-0.631
CNH	0.672	0.764	0.944	-0.792	-0.777	0.808	0.721	0.680	0.439	0.526	1.000	-0.638
CNY	0.661	0.806	1.000	-0.842	-0.873	0.929	0.807	0.843	0.379	0.719	0.944	-0.594
CAD	0.538	0.512	0.569	-0.608	-0.571	0.580	0.660	0.529	0.344	0.808	0.456	-0.457
CCN12M	0.474	0.565	0.865	-0.793	-0.754	0.730	0.490	0.564	0.553	0.405	0.911	-0.451
PHP	0.374	0.544	0.804	-0.694	-0.783	0.807	0.544	0.830	0.275	0.668	0.616	-0.294
IDR	0.275	0.201	0.540	-0.755	-0.746	0.527	0.267	0.470	0.656	0.732	0.419	-0.260
TWD	0.227	0.005	0.114	-0.203	-0.252	-0.069	-0.026	-0.057	0.379	-0.219	0.248	-0.302
GBP	0.050	0.253	0.582	-0.553	-0.555	0.645	0.392	0.635	0.205	0.757	0.471	-0.017
KRW	-0.091	-0.197	-0.191	0.150	0.005	-0.190	-0.307	-0.110	0.008	-0.268	-0.058	0.023
INR	-0.223	-0.007	0.310	-0.263	-0.417	0.425	-0.006	0.586	0.057	0.395	0.224	0.265
AUD	-0.521	-0.531	-0.551	0.523	0.602	-0.620	-0.722	-0.659	-0.206	-0.744	-0.347	0.417
NZD	-0.731	-0.791	-0.916	0.843	0.892	-0.859	-0.870	-0.766	-0.439	-0.797	-0.806	0.653
EUR	-0.985	-0.774	-0.594	0.492	0.490	-0.376	-0.770	-0.220	-0.311	-0.292	-0.638	1.000

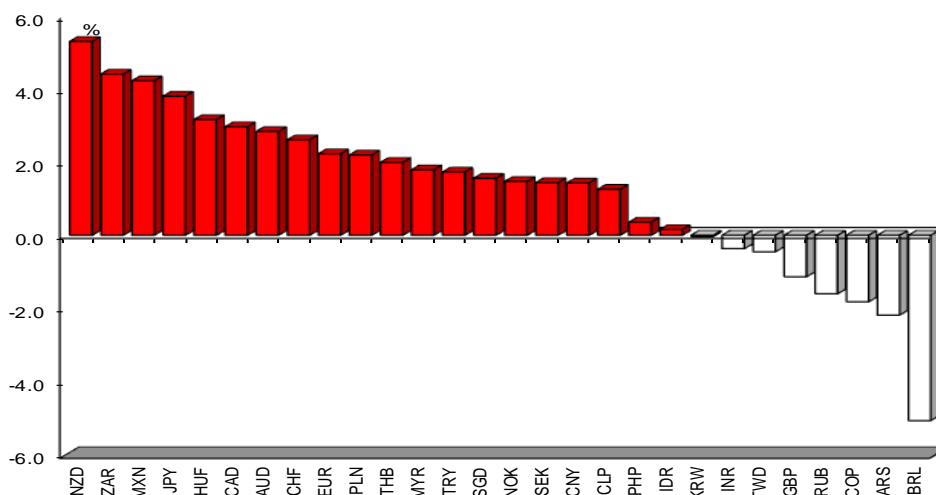
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1157	1.1200	1.1220	1.1277	1.1296
GBP-USD	1.2671	1.2700	1.2748	1.2800	1.2822
AUD-USD	0.7600	0.7604	0.7620	0.7636	0.7700
NZD-USD	0.7091	0.7200	0.7243	0.7300	0.7302
USD-CAD	1.3165	1.3200	1.3240	1.3251	1.3300
USD-JPY	109.00	109.10	109.59	110.00	110.60
USD-SGD	1.3709	1.3752	1.3764	1.3800	1.3896
EUR-SGD	1.5400	1.5413	1.5443	1.5500	1.5595
JPY-SGD	1.2500	1.2545	1.2559	1.2600	1.2621
GBP-SGD	1.7486	1.7500	1.7545	1.7600	1.7619
AUD-SGD	1.0400	1.0410	1.0487	1.0488	1.0496
Gold	1245.23	1260.93	1264.20	1290.41	1295.20
Silver	16.66	17.00	17.02	17.10	17.30
Crude	44.16	44.60	44.66	44.70	49.33

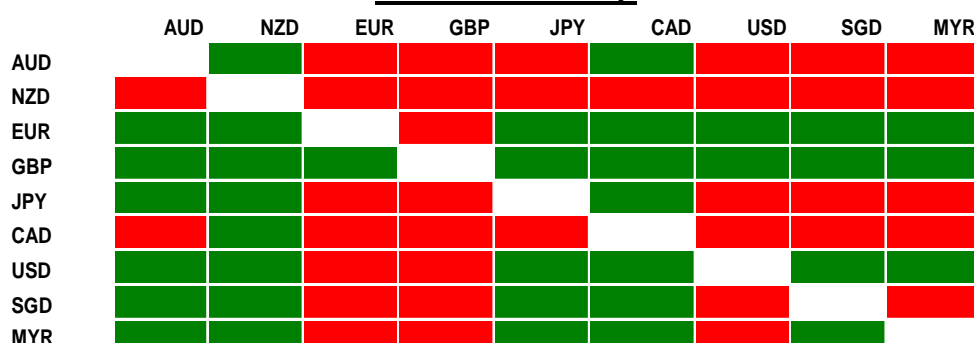
Source: OCBC Bank

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



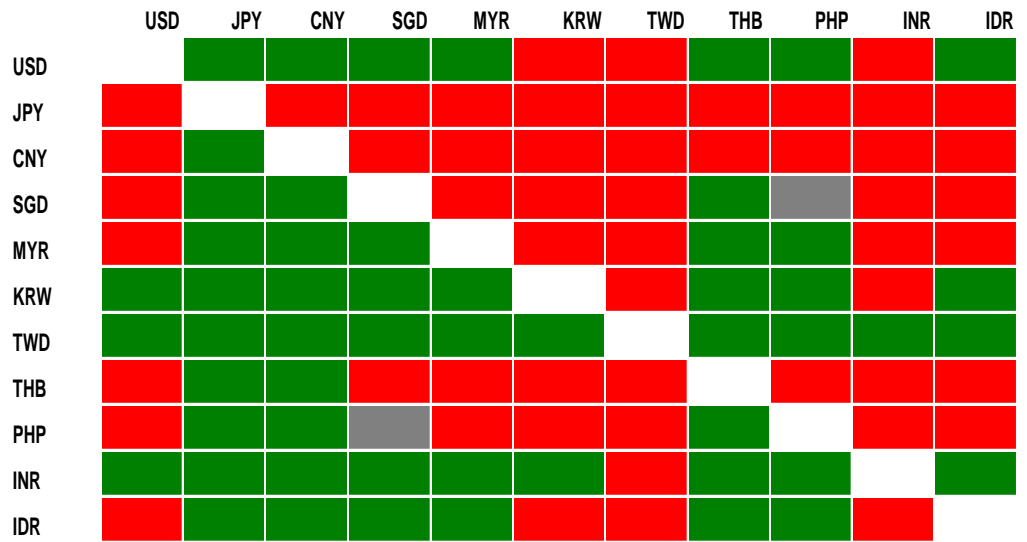
Source: Bloomberg

**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	23-May-17	S	USD-CAD	1.3494	1.3045	1.3380	USD skepticism, sanguine risk appetite, supported crude	
2	24-May-17	S	USD-SGD	1.3899	1.3590	1.3825	Supportive Asian portfolio inflow environment, soggy USD	
3	01-Jun-17	S	USD-JPY	111.00	108.60	112.25	Weak broad dollar disposition	
4	08-Jun-17	B	AUD-USD	0.7550	0.7695	0.7475	Supportive Aussie GDP and China trade numbers, steady risk	
5	12-Jun-17	S	GBP-USD	1.2760	1.2455	1.2915	UK politics uncertainty/limbo	
<b>STRUCTURAL</b>								
6	24-Apr-17		Bullish 2M 1X2 EUR-USD Call Spread Spot ref: 1.0863; Strikes: 1.0894, 1.1188; Exp: 22/06/17; Cost: 0.62%			Deflating French risks, USD skepticism		
7	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
8	16-May-17	S	AUD-USD	0.7407	0.6890	0.7670	Global reflation plays to continue to wobble?	
9	05-Jun-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.0.24%			Increasingly endemic USD weakness, +ve risk appetite		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	02-May-17	17-May-17	B	USD-JPY	112.08	110.85	USD resilience against JPY ahead of FOMC/NFP	-1.04
2	05-Apr-17	23-May-17	S	AUD-USD	0.7580	0.7490	Fragile risk appetite, slightly apprehensive RBA	+1.14
3	18-Apr-17	29-May-17	B	GBP-USD	1.2585	1.2832	Snap UK elections, soft dollar, -ve EUR risk	+1.79
4	17-May-17	14-Jun-17	B	EUR-USD	1.1120	1.1209	Disappointing US data feed, reversal of political risk premiums	+0.63
* realized **of notional							Jan-May 2017 Return -17.04	
							2016 Return +6.91	

Source: OCBC Bank



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