

Thursday, November 16, 2017

FX Themes/Strategy/Trading Ideas

- Apart from the JPY, the majors (especially the cyclicals) retreated against the USD on Wednesday as the commodity complex softened (crude tested 55.00) and global equities turned red (global EM equities dropped for a fourth consecutive session). The greenback also found partial support given as expected October US CPI readings and better than expected October retail sales figures (note also the upward revisions to the previous month).
- 10y UST yields slipped further with the curve continuing to flatten on Wednesday. **Although other major global yields also inched lower yesterday, we note that the broad dollar is expected to remain on the defensive from an interest rate differential perspective (at least from the long-end).** On this front, note that the DXY remains at sub-94.00 levels.
- **Risk appetite considerations may hold sway intra-day pending US tax bill headlines (House tax bill vote expected today) and potential central bank rhetoric.** Note that for the first time since late October our **FXSI (FX Sentiment Index)** also drifted back into **Risk-Neutral** territory from Risk-On territory – a potential signal to continue to lighten up on carry.
- Fed-speak today includes Mester (1410 GMT), Kaplan (1810 GMT), Brainard (2045 GMT), and Williams (2145 GMT). ECB appearances are equally numerous, with Mersch (0845 GMT), Praet (1100 GMT), Galhau (1430 GMT), and Constancio (2000 GMT). Elsewhere, a bevy of BOE members including Carney, Broadbent, and Cunliffe speak at a BOE forum (1400 GMT). Meanwhile, data points to watch include UK October retail sales (0930 GMT), EZ October CPI (1000 GMT), and the Philly Fed (1330 GMT). On the central bank front, **Bank Indonesia** convenes today for its policy decision and we expect no change to the policy parameters.
- With broad USD resilience losing conviction in the near term, we closed out our 21 Sep 17 idea to be tactically long **USD-JPY** (spot ref: 112.58) at 113.13 on Wednesday for an implied +0.73% gain.

Asian FX

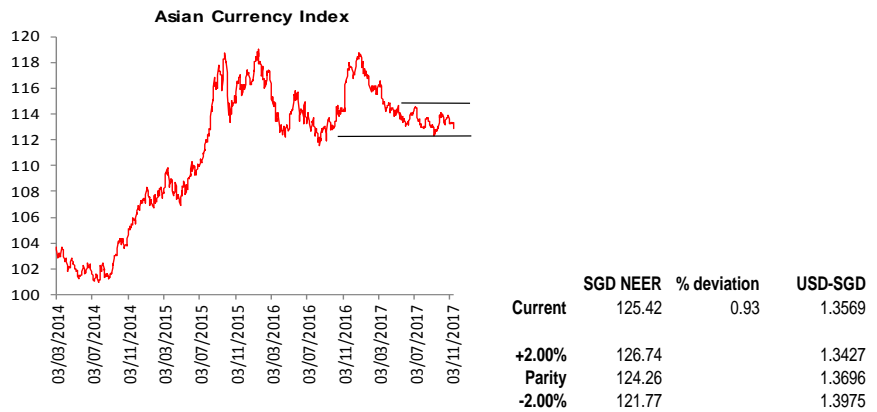
- EMFX traded mixed overnight (MXN trumped by NAFTA concerns) with Asian NDFs also mixed (IDR, INR weaker with the KRW, TWD, THB, SGD firmer). Asian net portfolio inflows meanwhile denote moderating but still supportive net inflow momentum for the KRW and INR but relative vulnerability for the TWD on the back of equity outflows. The IDR and THB meanwhile may remain subject to negative pressure from ongoing net

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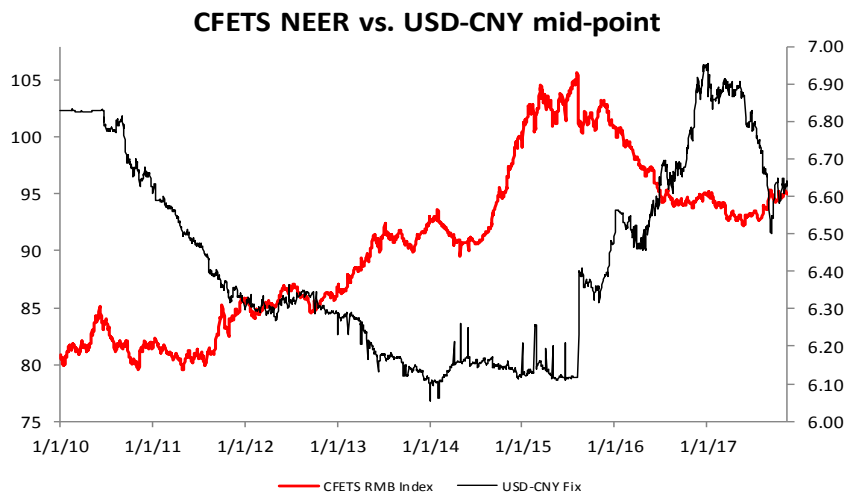
outflow momentum, although we detect some moderation in net outflows for the latter. Overall, differentiation remains crucial although the **ACI (Asian Currency Index)** may inch lower again intra-day.

- SGD NEER:** This morning, the SGD NEER is firmer on the day at around +0.93% above its perceived parity (1.3696) with NEER-implied USD-SGD thresholds softer on the day. For today expect the basket to exhibit a locus around within +0.85% (1.3580) and +1.05% (1.3555). Technically, the 55-day MA (1.3563) may also provide an initial base of support amidst an expected top heavy posture with the 100-day MA (1.3606) now seen limiting.



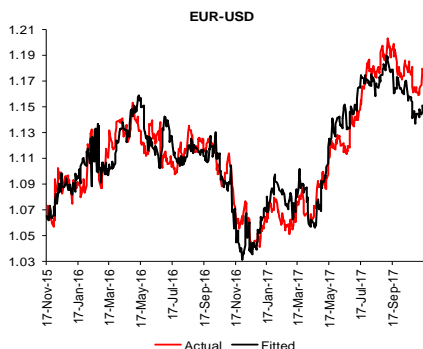
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point rose (in contrast to expectations) to 6.6286 from 6.6263 yesterday. This helped keep the CFETS RMB Index capped, with the Index falling further to 94.84 from 94.94 on Wednesday.



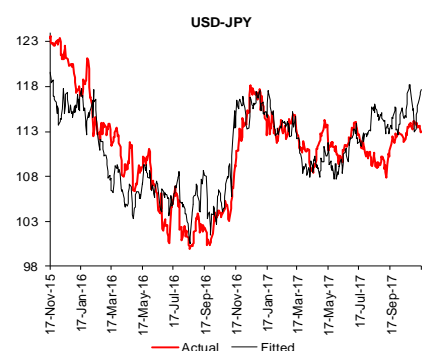
Source: OCBC Bank, Bloomberg

G7



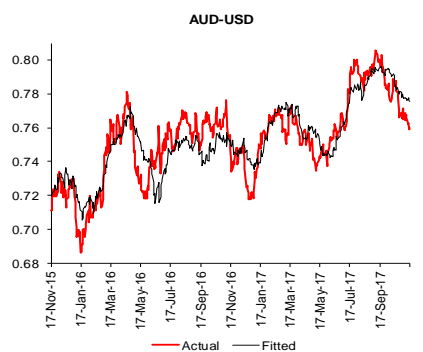
Source: OCBC Bank

- EUR-USD** EUR-USD relapsed from intra-day highs to end essentially unchanged on the day on Wednesday. Short term implied valuations are mildly firmer at this juncture although the pair continues to trade north of its implied confidence intervals. Ahead of the EZ CPI readings and potential ECB comments today, preference to collect into the 100-day MA (1.1741) with the 55-day MA (1.1794) and 1.1820 seen capping.



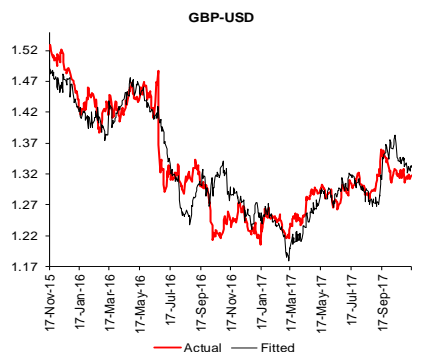
Source: OCBC Bank

- USD-JPY** Yield differential developments, risk appetite dynamics and potential tax bill headlines may dilute the impetus from firmer short term implied valuations in the near term. Odds remain in favor of a top heavy posture with 113.50 providing resistance and the 55-day MA (112.28) seen attracting.



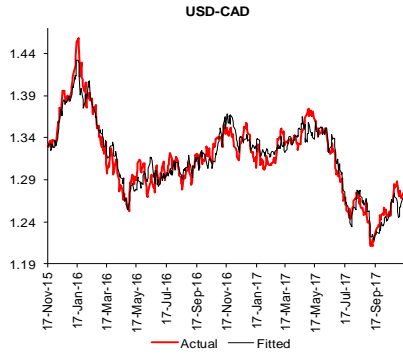
Source: OCBC Bank

- AUD-USD** The October labor market numbers this morning proved mixed and has been providing interim support for the pair. Meanwhile, short term implied valuations continue to tilt south with the AUD-USD making the most of this in recent sessions. We remain negative on the pair and failure to hold at 0.7600 may see 0.7570/70, especially with the cyclicals under pressure of late.



Source: OCBC Bank

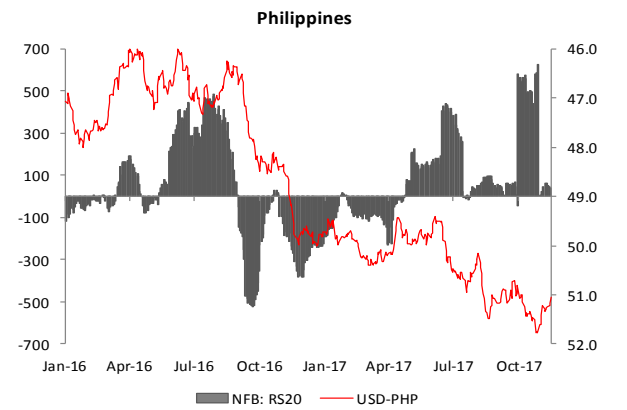
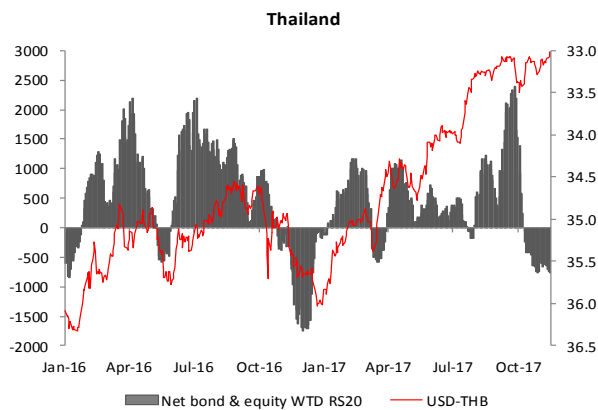
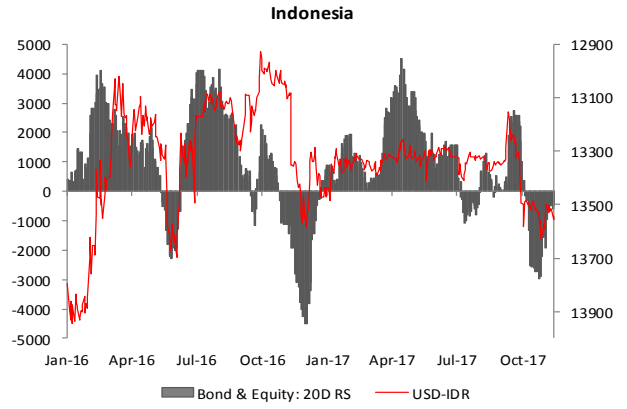
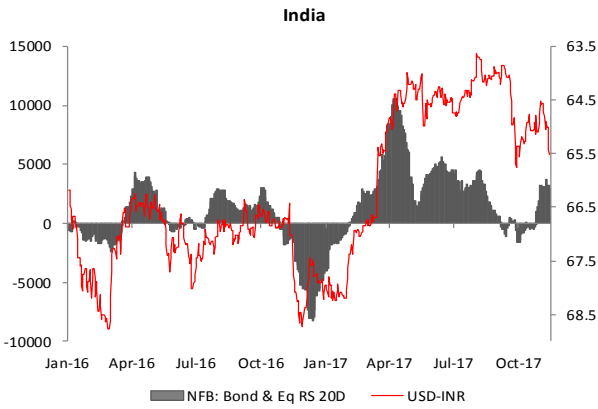
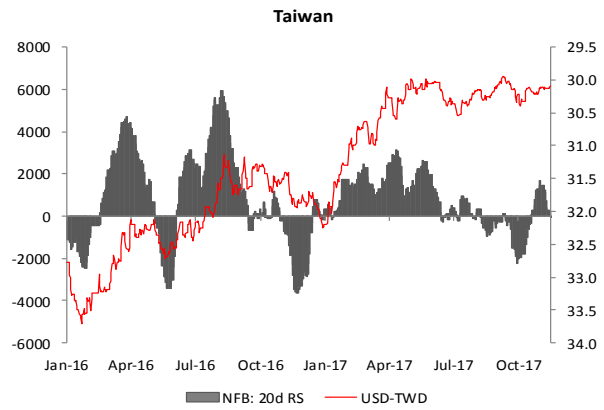
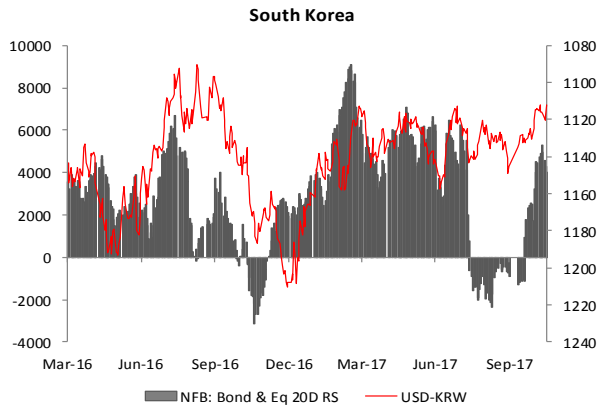
- GBP-USD** Apart from the continued overhang from Brexit-related headlines, potential BOE-speak and October retail sales may hold significant risks for the GBP-USD intra-day. Meanwhile, short term implied valuations have continued to bottom out in recent sessions and investors may attempt to pick bottoms with the 100-day MA (1.3119) and the 55-day MA (1.3234).

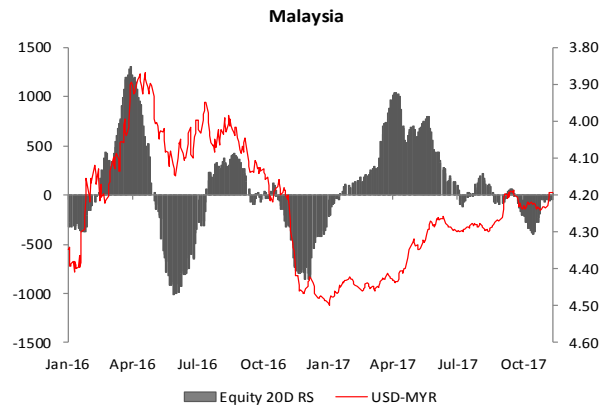


- USD-CAD** With NAFTA negotiations already casting a shadow, receding investor appetite and soft crude prodded the USD-CAD higher on Wednesday. Note also somewhat cautious comments from the BOC's Wilkins. Going ahead, the pair may attempt to shadow its rising short term implied valuations towards 1.2800/15 with initial support expected into 1.2730.

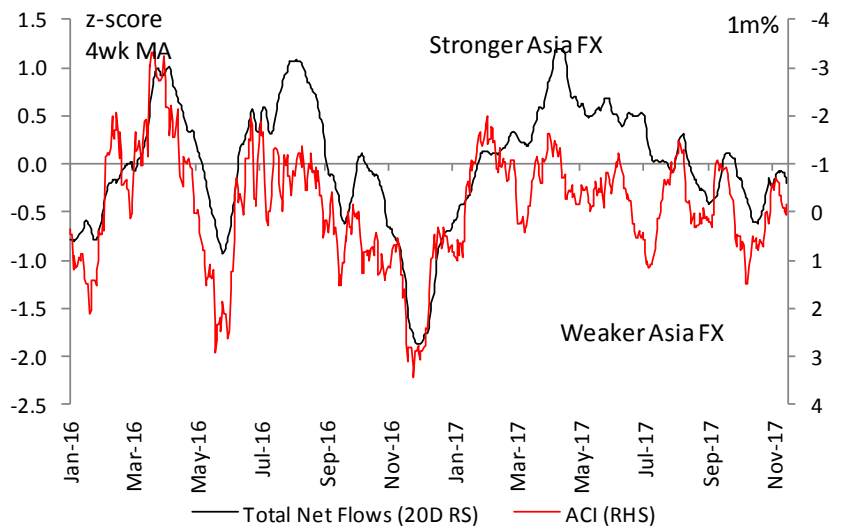
Source: OCBC Bank

USD-Asia VS. Net Capital Flows

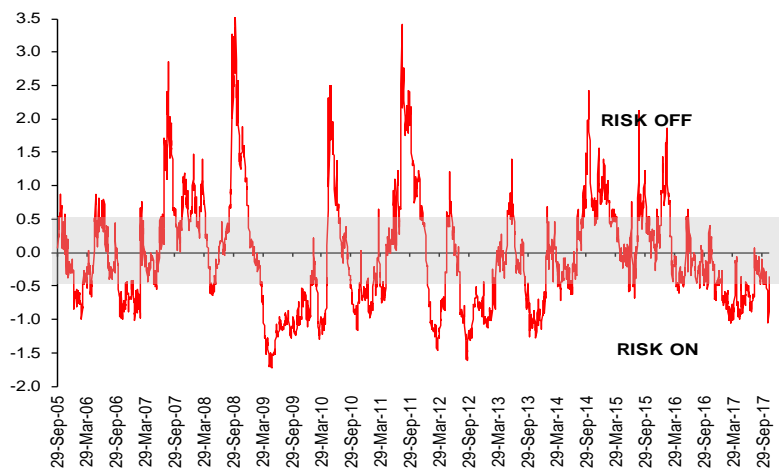




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.08	0.253	0.761	0.499	0.685	0.733	0.651	-0.37	-0.763	0.318	-0.965
CHF	0.945	0.227	0.194	0.709	0.505	0.688	0.842	0.658	-0.214	-0.711	0.367	-0.88
JPY	0.733	0.442	0.126	0.554	0.299	0.431	1	0.356	-0.221	-0.603	0.316	-0.649
CAD	0.713	0.378	0.218	0.329	0.125	0.38	0.654	0.389	0.092	-0.532	0.336	-0.56
SGD	0.684	0.549	0.514	0.352	-0.033	0.212	0.764	0.139	-0.231	-0.48	0.505	-0.646
CNH	0.318	0.555	0.838	0.241	0.212	0.43	0.316	0.416	0.381	0.165	1	-0.283
MYR	0.317	0.177	0.044	-0.049	-0.428	-0.373	0.395	-0.402	-0.698	-0.642	-0.261	-0.361
IDR	0.273	0.655	0.23	-0.177	-0.394	-0.166	0.276	-0.162	0.209	-0.121	0.228	-0.154
CNY	0.253	0.385	1	0.129	0.007	0.247	0.126	0.25	0.134	0.038	0.838	-0.26
THB	0.213	0.453	0.368	-0.092	-0.532	-0.347	0.248	-0.37	-0.459	-0.379	0.036	-0.253
USGG10	0.08	1	0.385	-0.249	-0.38	-0.208	0.442	-0.262	0.345	0.166	0.555	-0.008
PHP	0.023	0.603	0.27	-0.442	-0.727	-0.563	0.229	-0.594	-0.17	-0.131	0.024	-0.037
TWD	-0.195	0.522	0.262	-0.436	-0.718	-0.593	0.112	-0.607	-0.042	0.21	0.052	0.167
CCN12M	-0.248	-0.036	0.317	-0.171	0.112	0.054	-0.403	0.067	0.164	0.417	0.308	0.148
GBP	-0.297	0.181	-0.018	-0.43	-0.28	-0.315	-0.22	-0.309	0.185	0.081	-0.083	0.26
INR	-0.468	0.148	0.345	-0.115	0.108	0.066	-0.424	0.097	0.648	0.823	0.472	0.477
KRW	-0.528	0.324	0.079	-0.686	-0.784	-0.839	-0.362	-0.82	-0.028	0.437	-0.17	0.439
NZD	-0.537	-0.46	-0.312	-0.308	-0.059	-0.376	-0.606	-0.376	-0.265	0.288	-0.501	0.34
AUD	-0.605	-0.133	-0.349	-0.521	-0.519	-0.732	-0.426	-0.754	-0.307	0.242	-0.552	0.465
EUR	-0.965	-0.008	-0.26	-0.762	-0.539	-0.679	-0.649	-0.628	0.459	0.775	-0.283	1

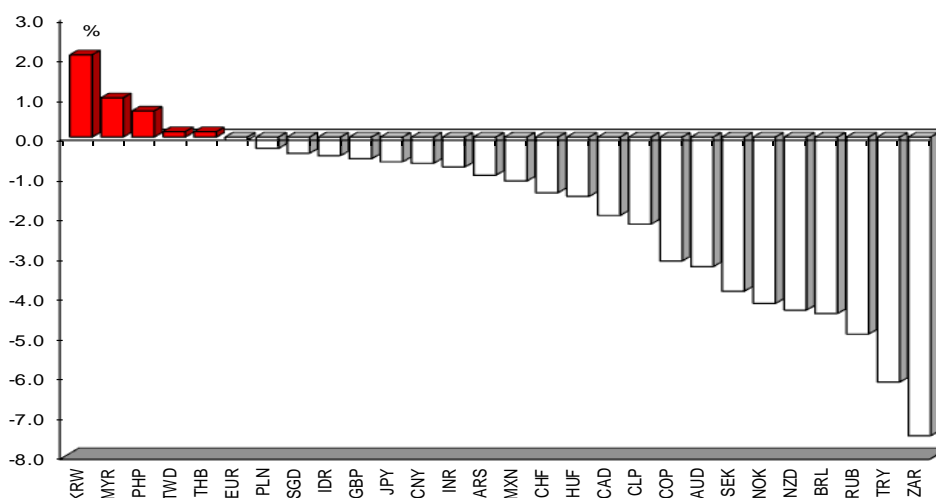
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1700	1.1779	1.1787	1.1800	1.1837
GBP-USD	1.3052	1.3100	1.3178	1.3200	1.3251
AUD-USD	0.7559	0.7571	0.7595	0.7600	0.7695
NZD-USD	0.6818	0.6825	0.6857	0.6900	0.6973
USD-CAD	1.2610	1.2700	1.2766	1.2800	1.2897
USD-JPY	112.00	112.56	112.88	112.91	113.00
USD-SGD	1.3557	1.3560	1.3563	1.3600	1.3658
EUR-SGD	1.5900	1.5973	1.5986	1.6000	1.6084
JPY-SGD	1.1919	1.2000	1.2015	1.2031	1.2048
GBP-SGD	1.7760	1.7800	1.7873	1.7900	1.7973
AUD-SGD	1.0277	1.0300	1.0301	1.0400	1.0585
Gold	1268.33	1269.06	1278.90	1287.08	1291.20
Silver	16.69	16.90	17.00	17.00	17.10
Crude	52.51	55.30	55.34	55.40	57.92

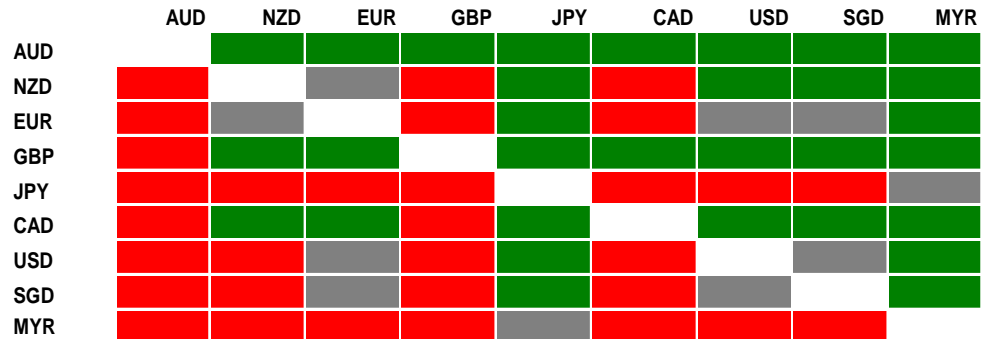
Source: OCBC Bank

FX performance: 1-month change agst USD



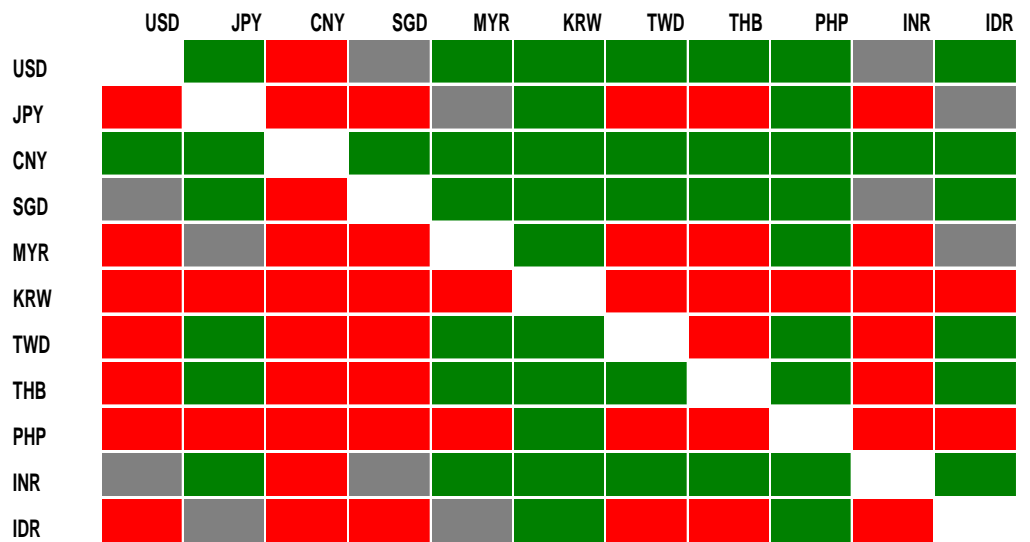
Source: Bloomberg

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	28-Sep-17	B	USD-CAD	1.2500 1.3095 1.2640	Reality check from the BOC's Poloz even as the USD garners renewed interest			
2	24-Oct-17	S	EUR-USD	1.1763 1.1535 1.1875	Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow			
3	24-Oct-17	B	USD-SGD	1.3616 1.3765 1.3540	Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in			
4	07-Nov-17	S	AUD-USD	0.7671 0.7510 0.7755	RBA on hold, no inflation or rate hike urgency			
5	07-Nov-17	S	GBP-USD	1.3142 1.2835 1.3300	Potential negative headline shock from upcoming BOE appearances post the dovish rate hike			
STRUCTURAL								
6	09-May-17	B	GBP-USD	1.2927 1.3700 1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish			
7	07-Nov-17		Bullish 2M 1X2 USD-JPY Call Spread Spot ref: 114.15; Strikes: 113.78, 118.31; Exp: 04/01/18; Cost: 0.90%		Rate differential complex supportive of the USD, BOJ static			
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734	1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
2	09-Oct-17	12-Oct-17	S	GBP-USD	1.3116	1.3256	Brexit concerns plus additional leadership threats to PM May's position	-1.05
3	04-Oct-17	12-Oct-17	B	USD-SGD	1.3602	1.3525	Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia	-0.56
4	22-Aug-17	20-Oct-17		Bearish 2M 1X1.5 USD-JPY Put Spread Spot ref: 109.31; Strikes: 109.00, 106.04; Exp: 20/10/17; Cost: 0.57%		Underwhelming data feed, gradualist Fed, potential negative US political baggage	-0.56**	
5	29-Aug-17	27-Oct-17		Bearish 2M 1X1.5 USD-SGD Put Spread Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31%		Vulnerable USD, prevailing positivity towards carry, EM/Asia	-0.31**	
6	28-Sep-17	02-Nov-17	S	AUD-USD	0.7816	0.7720	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	+1.20
7	21-Sep-17	15-Nov-17	B	USD-JPY	112.58	113.13	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	+0.73
							Jan-Nov*** 2017 Return	-9.97
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank

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