

Monday, April 17, 2017

FX Themes/Strategy/Trading Ideas – The week ahead

- The softer than expected US CPI readings (-0.3% mom) and uninspiring March retail sales data on Friday will likely put the USD at a disadvantage at the start of this week with the USD-JPY (likely also weighed by geopolitical concerns) trading sub-108.50 early Monday in Asia.
- For Fed cues this week, look towards appearances by Fischer (2100 GMT) today, followed by George, Rosengren, Powell, and Kashkari during the course of the week. The calendar this week also includes **RBA meeting minutes** on Tuesday, global PMIs on Friday, while in Asia, **Bank Indonesia** is expected to keep its policy parameters unchanged on Thursday.
- Geopolitical risks may continue to circulate in the markets despite the failed North Korean missile launch over the weekend and with US VP Pence (and the US carrier group) in the region this week. To this end, note that **FXSI (FX Sentiment Index)** hiking higher for the 7th consecutive session on Friday, although the Index remains within Risk-Neutral territory. The US Treasury did not name China as a currency manipulator in its latest currency report, with the non-event also likely a quid pro quo for China putting a leash on Pyongyang.
- On the **CFTC** front, large non-commercial/leveraged accounts increased their implied long dollar bias in aggregate while asset managers also flipped to a net long dollar bias in aggregate.
- Overall, expect markets to continue to attempt to triangulate themselves between FOMC risks (benched for now), risk aversion, and reflation plays. In the interim, we continue to ride on a heavy USD-JPY.

Asian FX

- On the Asian front, expect USD-Asia to respond to broad dollar vulnerability at the onset of the week, although sentiment may remain fragile on the back of geopolitical risks. As such, the **ACI (Asian Currency Index)** is still expected to remain top heavy at this juncture with our **Heat Map** indicating outperformance by the **KRW**, **TWD**, and **SGD** in the near term.
- China's March monetary aggregates came in mixed with aggregate financing coming in at a higher than expected CNY2.12tn, implying that the authorities may remain vigilant towards liquidity management. Today, look towards 1Q GDP numbers as well as March retail sales, urban fixed asset investments, as well as industrial production figures, for further cues on the economy and

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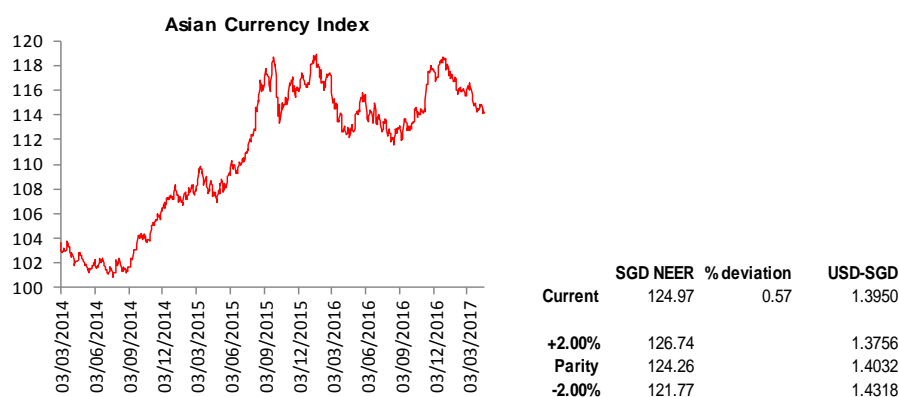
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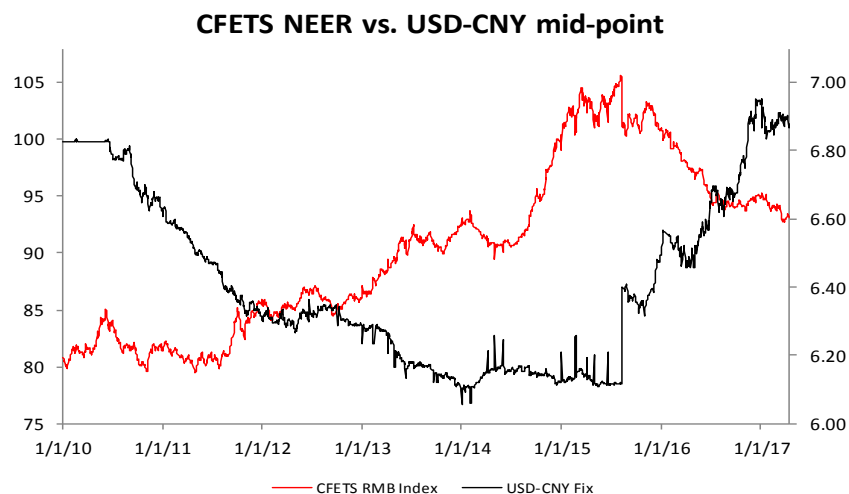
the potential impact on the cyclical currencies.

- SGD NEER:** This morning, the SGD NEER is trading around +0.57% above its perceived parity, slightly softer relative to last Thursday. An uneven to vulnerable broad dollar may keep the NEER slightly underpinned and within +0.50% (1.3962) and +0.80% (1.3921). Technically, the USD-SGD is sitting on its 200-day MA (1.3949) and if this support is lost on a sustained basis, subsequent support is expected at 1.3890.

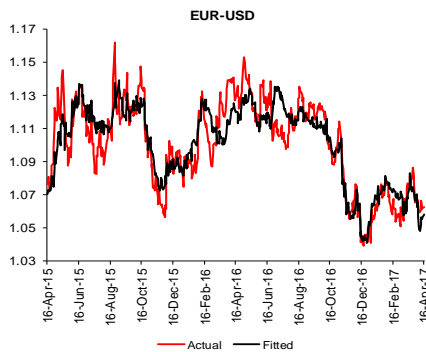


Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point rose (as largely expected) to 6.8785 this morning from 6.8740 last Friday. This softened the **CFETS RMB Index** to 93.12 from 93.18.

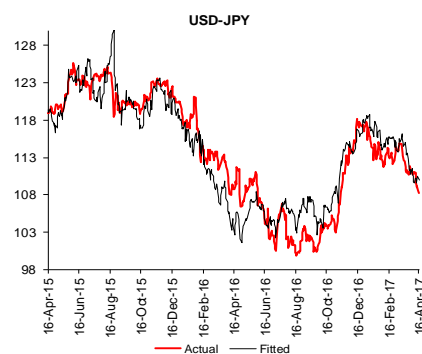


Source: OCBC Bank, Bloomberg

G7

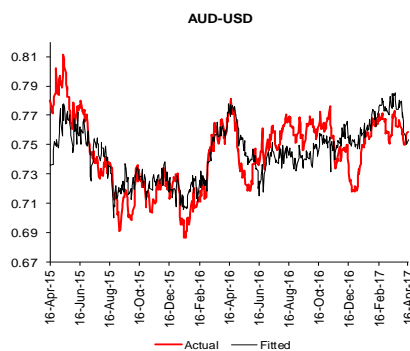
Source: OCBC Bank

- **EUR-USD** Expect implicit nervousness towards the EUR this week, with the French Presidential elections scheduled for this weekend, 23 Apr 17. Note also elevated short-end vols for the EUR and the JPY on this front. Despite slightly firmer short term implied valuations in the past few sessions, inherent risks may continue to favor the downside (opinion polls show a tight race for this Sunday) this week with the 1.0600 support still under threat ahead of 1.0570.



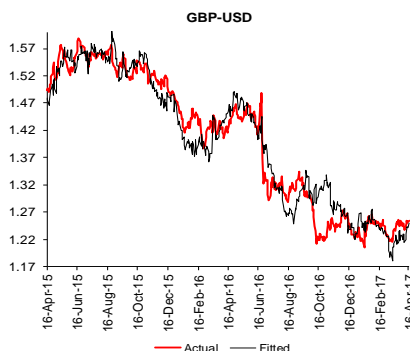
Source: OCBC Bank

- **USD-JPY** Market jitters may continue to weigh on the USD-JPY in the near term, especially with Trump/Fed-inspired USD strength clearly lacking at this juncture. Despite range bound short term implied valuations, the USD-JPY may continue to descend to its lower extreme of its confidence intervals. Note that the pair has breached its 200-day MA (108.82) and 107.50 may continue to attract.



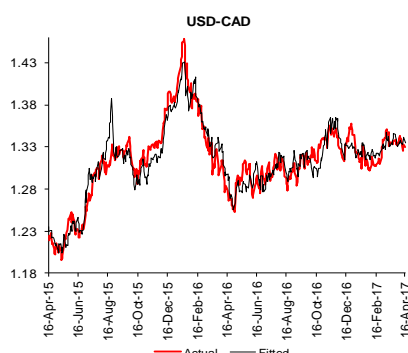
Source: OCBC Bank

- **AUD-USD** Despite the RBA warning of risks to the housing sector last week, the run of supportive China data points this morning in Asia may underpin the AUD-USD in the near term ahead of the RBA meeting minutes this week. Short term implied valuations are attempting to bottom out with the pair likely trapped within its 200-day MA (0.7553) and its 55-day MA (0.7623) for now.



Source: OCBC Bank

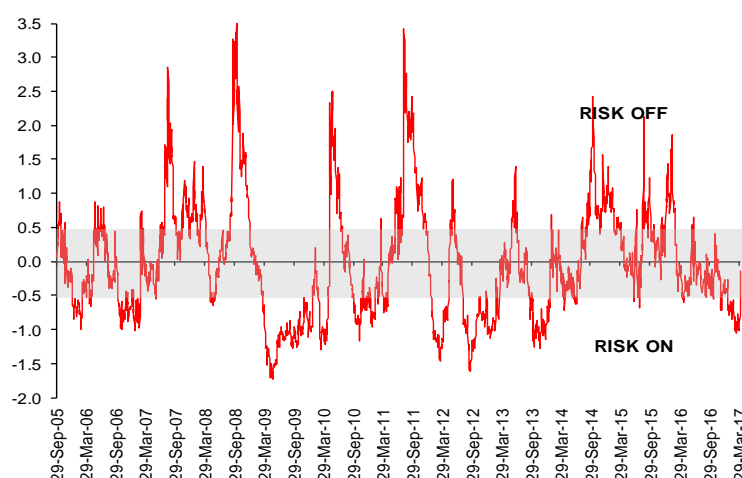
- **GBP-USD** This week, the calendar is very sparse save for the March retail sales numbers due on Friday, and markets may instead take cues from the broad dollar and the EUR instead. The BOE's Carney however is scheduled for today (1030 GMT and 1130 GMT). In the interim, short term implied valuations have continued to float higher in the past week, and the GBP-USD may attempt to gravitate towards 1.2600 if the dollar continues to fade and the EUR-GBP (French election risks?) retains a heavy posture.



Source: OCBC Bank

- USD-CAD** Despite relatively static short term implied valuations, a top heavy tendency may remain the name of the game for the USD-CAD may be in store with an uncertain USD and nervous investor appetite underpinning crude. If 1.3300 is punctured, expect a drift towards the 100-day MA (1.3280) and the 55-day MA (1.3272), and the 200-day MA (1.3225).

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	-0.420	0.742	0.254	0.724	0.867	-0.262	0.839	0.341	-0.356	0.860	-0.928
CHF	0.962	-0.519	0.631	0.162	0.715	0.919	-0.403	0.900	0.406	-0.309	0.834	-0.982
CNH	0.860	-0.238	0.762	0.269	0.626	0.789	-0.133	0.695	0.343	-0.413	1.000	-0.779
CNY	0.742	0.151	1.000	0.556	0.572	0.513	0.301	0.410	-0.032	-0.522	0.762	-0.544
KRW	0.666	-0.499	0.450	-0.106	0.391	0.764	-0.518	0.728	0.685	-0.215	0.781	-0.681
TWD	0.544	0.046	0.679	0.190	0.198	0.385	0.080	0.341	0.281	-0.341	0.654	-0.412
SGD	0.543	0.066	0.550	0.136	0.330	0.485	0.159	0.344	0.182	-0.564	0.744	-0.465
MYR	0.437	0.285	0.628	0.370	0.198	0.321	0.363	0.301	0.019	-0.466	0.431	-0.266
CCN12M	0.181	0.413	0.608	0.293	0.179	0.055	0.468	-0.085	-0.006	-0.228	0.372	0.047
THB	-0.020	0.522	0.544	0.132	-0.045	-0.090	0.503	-0.314	0.026	-0.309	0.302	0.194
CAD	-0.082	0.274	0.044	0.108	0.041	-0.238	0.382	-0.249	-0.468	-0.308	-0.057	0.149
JPY	-0.262	0.952	0.301	0.708	-0.235	-0.562	1.000	-0.676	-0.854	-0.394	-0.133	0.484
IDR	-0.308	0.738	0.019	0.523	-0.338	-0.627	0.750	-0.618	-0.845	-0.375	-0.343	0.402
GBP	-0.319	-0.506	-0.735	-0.599	-0.295	-0.093	-0.596	0.072	0.423	0.496	-0.463	0.054
USGG10	-0.420	1.000	0.151	0.589	-0.411	-0.664	0.952	-0.749	-0.804	-0.359	-0.238	0.574
PHP	-0.555	0.665	-0.297	0.093	-0.461	-0.744	0.643	-0.741	-0.767	-0.014	-0.571	0.520
AUD	-0.640	0.680	-0.112	0.333	-0.412	-0.752	0.620	-0.826	-0.653	0.096	-0.569	0.710
INR	-0.729	0.703	-0.229	0.188	-0.557	-0.886	0.612	-0.903	-0.529	0.178	-0.582	0.817
NZD	-0.806	0.498	-0.379	-0.001	-0.603	-0.826	0.345	-0.813	-0.441	0.376	-0.718	0.778
EUR	-0.928	0.574	-0.544	-0.109	-0.616	-0.911	0.484	-0.928	-0.458	0.248	-0.779	1.000

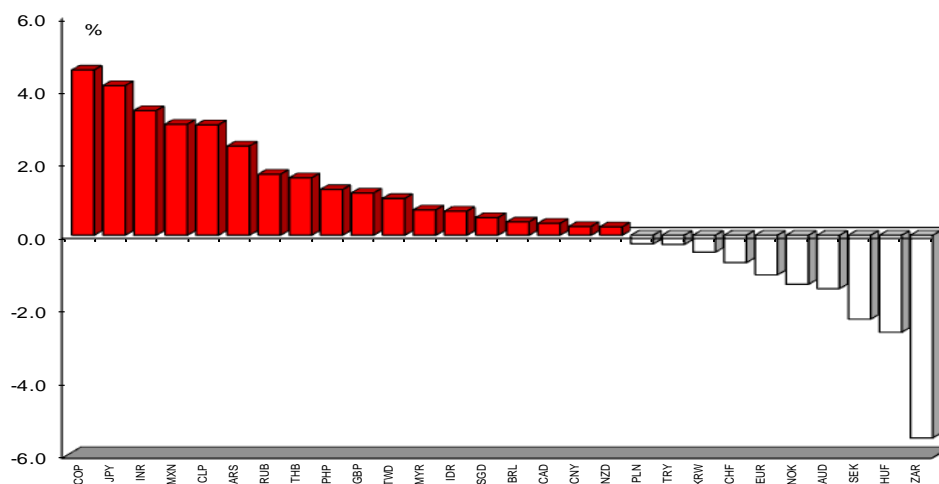
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0525	1.0600	1.0621	1.0648	1.0700
GBP-USD	1.2412	1.2500	1.2536	1.2575	1.2600
AUD-USD	0.7500	0.7549	0.7583	0.7600	0.7619
NZD-USD	0.6923	0.7000	0.7025	0.7057	0.7065
USD-CAD	1.3291	1.3300	1.3304	1.3400	1.3431
USD-JPY	108.00	108.17	108.22	108.48	108.79
USD-SGD	1.3919	1.3939	1.3946	1.4000	1.4042
EUR-SGD	1.4800	1.4803	1.4813	1.4900	1.4974
JPY-SGD	1.2832	1.2878	1.2887	1.2894	1.2900
GBP-SGD	1.7400	1.7458	1.7483	1.7500	1.7568
AUD-SGD	1.0500	1.0522	1.0576	1.0600	1.0717
Gold	1261.24	1283.96	1292.50	1294.80	1300.00
Silver	18.17	18.60	18.62	18.66	18.70
Crude	52.10	52.90	52.95	53.00	54.51

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									
NZD									
EUR									
GBP									
JPY									
CAD									
USD									
SGD									
MYR									

Source: OCBC Bank

Asia FX Heat Map

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		Green	Green	Red	Green	Red	Red	Green	Green	Green	Green
JPY	Red		Red	Red	Red	Red	Red	Red	Red	Red	Red
CNY	Red	Green		Red	Green	Red	Red	Green	Green	Green	Green
SGD	Green	Green	Green		Green	Red	Red	Green	Green	Green	Green
MYR	Red	Green	Red	Red		Red	Red	Grey	Green	Green	Green
KRW	Green	Green	Green	Green	Green		Green	Green	Green	Green	Green
TWD	Green	Green	Green	Green	Green	Red		Green	Green	Green	Green
THB	Red	Green	Red	Red	Grey	Red	Red		Green	Green	Green
PHP	Red	Green	Red	Red	Red	Red	Red	Red		Red	Red
INR	Red	Green	Red	Red	Red	Red	Red	Red	Green		Red
IDR	Red	Green	Red	Red	Red	Red	Red	Red	Green	Green	

Source: OCBC Bank

FX Trade Ideas

FX Trade Ideas								
	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	22-Mar-17	S	USD-JPY	111.62	108.40	113.25	Trump trade unwind, mild risk aversion	
2	05-Apr-17	S	AUD-USD	0.7580	0.7405	0.7670	Fragile risk appetite, slightly apprehensive RBA	
3	10-Apr-17	S	EUR-USD	1.0585	1.0390	1.0685	Policy dichotomy, Frecnh election risks	
	STRUCTURAL							
4	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
5	14-Feb-17	Bearish 2M USD-CAD Put Spread Spot ref: 1.3055; Strikes: 1.3049, 1.2500; Exp: 14/04/17; Cost: 1.19%					Underlying growth theme in spite of the Trump/FOMC trade	
6	22-Feb-17	Bullish 2M AUD-USD 1X1.5 Call Spread Spot ref: 0.7688; Strikes: 0.7677, 0.8041; Exp: 20/04/17; Cost: 1.19%					Global reflation trade, Fed expected to hike later rather than sooner	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	10-Mar-17	15-Mar-17	S	AUD-USD	0.7519	0.7605	Compression in cyclicals vs. USD strength	
2	25-Oct-16	20-Mar-17	B	USD-SGD	1.3919	1.3984	Bullish dollar prospects, negative space for SGD NEER	+0.54
3	03-Mar-17	20-Mar-17	S	GBP-USD	1.2253	1.2435	Sustained Brexit risks vs. recent USD resilience	-1.46
4	28-Nov-16	27-Mar-17	S	EUR-USD	1.0641	1.0843	USD in ascendance, poiltical risk premium in EZ	-1.04
5	27-Mar-17	29-Mar-17	B	GBP-USD	1.2570	1.2390	Spillover from buoyant EUR-USD, GBP shorts wrong footed	-1.46
6	17-Mar-17	03-Apr-17	B	EUR-USD	1.0766	1.0645	Dutch election news flow, abating le Pen concerns, weekend USD	-1.14
7	17-Mar-17	10-Apr-17	S	USD-SGD	1.4029	1.4067	Vulnerable USD, positive risk appetite, tolerant MAS	-0.27
8	01-Mar-17	11-Apr-17	B	USD-CAD	1.3326	1.3322	BOC static in March, sharp contrast with Fed's recent posture	+0.04
	* realized							
	Jan-Mar 2017 Return							-11.88
	2016 Return							+6.91

Source: OCBC Bank

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