

Tuesday, October 17, 2017

**FX Themes/Strategy/Trading Ideas**

- A firmer UST curve (lifted by the front-end) saw the greenback chip away at the majors on Monday despite a lack of distinct headlines. Potential contributory USD supports came from the better than expected October Empire manufacturing index and a report that the US and North Korea were moving towards a diplomatic solution to defuse tensions, although this was refuted by another subsequent report. News that **John Taylor** made a favorable impression on President also boosted hawkish expectations surrounding the Fed.
- Meanwhile, domestic negatives may dog specific majors, with Catalonia-related news flow seen weighing on the EUR while the GBP may also continue to be weighed by Brexit-related worries ahead of the EU Summit on Thursday. Note also the underperformance of the AUD (despite supported commodities) and CAD (latter still dogged by Nafta concerns) across G10 space, presumably on slightly cautious risk appetite levels. **Crucially, watch for potential USD resilience if rate differentials (especially front-end dynamics) once again provide inherent support against the other majors multi-session.**
- For today, the Fed's Harker is scheduled for 1700 GMT while the ECB's Constancio (0800 GMT, 0820 GMT) and Praet (0930 GMT) may supply a counterbalance. Expect intra-day GBP risks with the BOE's Carney appearing before the Parliament's Treasury Committee (0815 GMT, 1015 GMT), while the BOE's Brazier is due at 1330 GMT. Elsewhere, the Bank of Canada's Wilkins speaks at 1930 GMT.

**Asian FX**

- Global EM equities continued to pull higher overnight but note that net portfolio inflows in Asia meanwhile continue to denote a north-south divide. A resumption of bond inflows for the KRW is helping to quash net outflow pressures significantly while equity inflows are rapidly neutralizing outflow pressures for the TWD. Net inflows for the INR remain hesitant despite an attempt for net outflows to moderate into the end of last week. Elsewhere, the IDR is still seen under pressure from net outflows on a rolling basis while the THB is still seen experiencing slight outflow pressure on a rolling basis. **As such, south Asian FX resilience of late may have been a reaction to broad dollar vulnerability instead of a boost from net inflows.**
- With the **FXSI (FX Sentiment Index)** ticking higher within Risk-neutral territory on Monday, expect the **ACI (Asian Currency Index)** to tick higher in

Treasury Research &  
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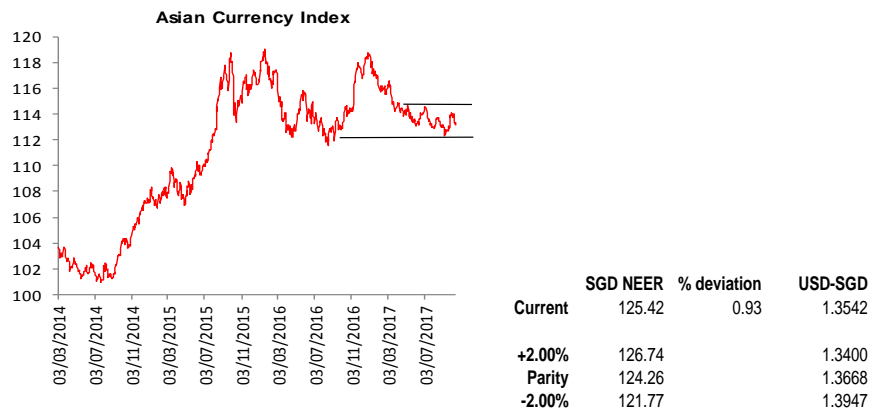
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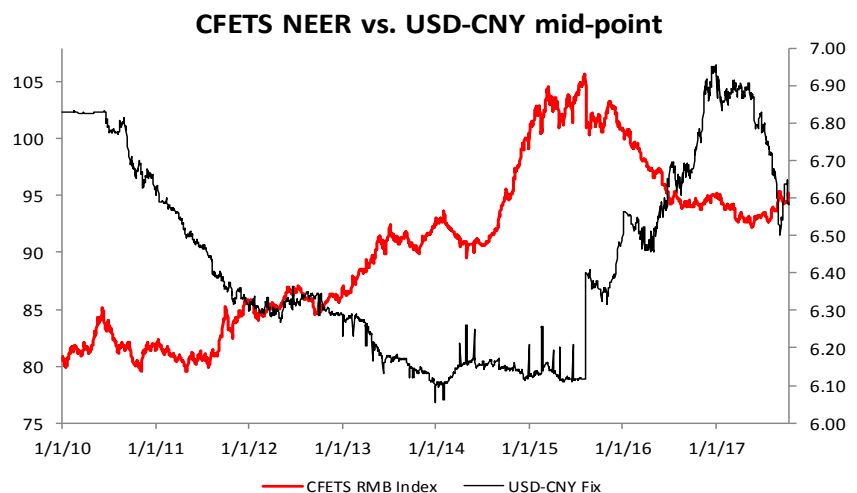
tandem with the broad dollar.

- SGD NEER:** This morning, the SGD NEER is softer on the day around +0.93% above its perceived parity (1.3668) with NEER-implied USD-SGD thresholds slightly firmer on the day. This morning, September NODX surprised on the downside with a -1.1% yoy contraction (vs. a downwardly revised +16.7% yoy). Nonetheless, we will continue to watch for potential drift by the SGD NEER beyond the +1.00 threshold (1.3532) with +1.20% estimated at 1.3506. Technically, the 55-day MA (1.3562) may continue to cap while the 200-week MA (1.3506) is expected to also cushion.



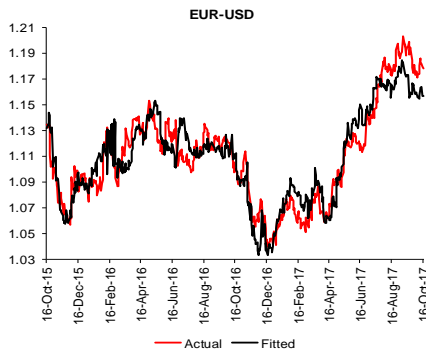
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point rose (less than expected) to 6.5883 this morning from 6.5839 on Monday, lifting the CFETS RMB Index to 94.93 from 94.91. Expect stability to persist in the coming week with the Index also still well away from its perceived ceiling circa 95.30.



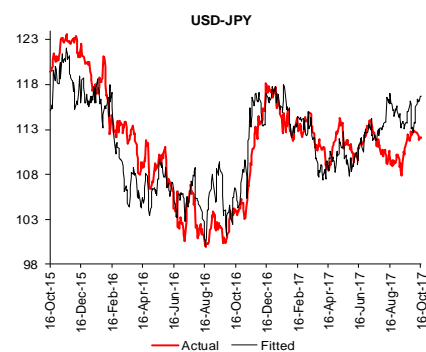
Source: OCBC Bank, Bloomberg

**G7**



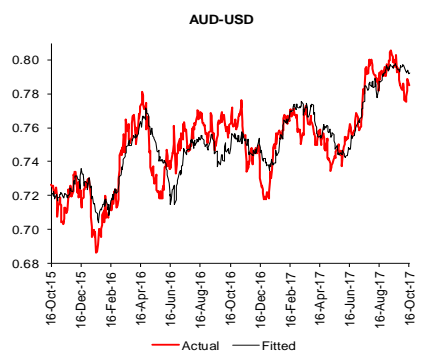
Source: OCBC Bank

- EUR-USD** The Thursday deadline for Catalonia may continue to impose a top heavy posture on the EUR-USD (and the EUR-crosses). September EZ CPI headlines and the German October ZEW hit the screens at 0900 GMT while we note that short term implied valuations are leaning lower. If the pair remains submerged below 1.1800 expect risks towards 1.1730/60.



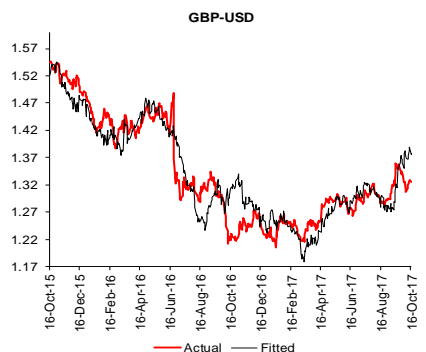
Source: OCBC Bank

- USD-JPY** Watch for risk aversion plays with US-South Korea joint military exercises underway currently. However, expect a slightly conflicted outlook to persist with short term implied valuations still ticking higher. Technically, the 200-day MA (111.78) is still expected to support with first resistance seen towards 112.65.



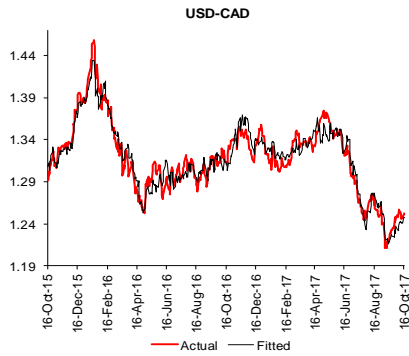
Source: OCBC Bank

- AUD-USD** Despite supportive metals, note that the AUD remains wobbly. This morning, the RBA meeting minutes (no near term inflation concerns and no heightened discomfort towards the AUD) and comments from the RBA's Ellis (mild inflation rhetoric) also provided little in the way of positives. Short term implied valuations are now starting to look top heavy with the pair still seen trapped within its 100-day MA (0.7809) and 55-day MA (0.7913).



Source: OCBC Bank

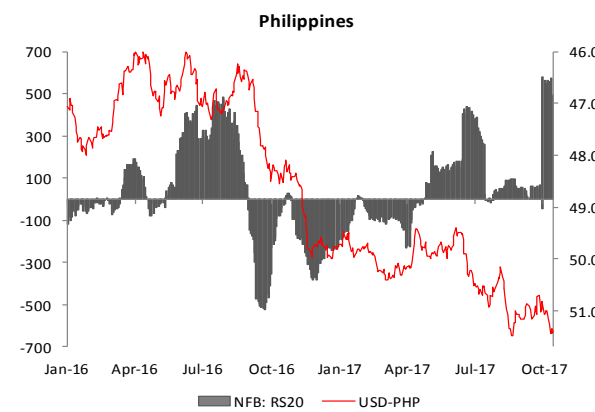
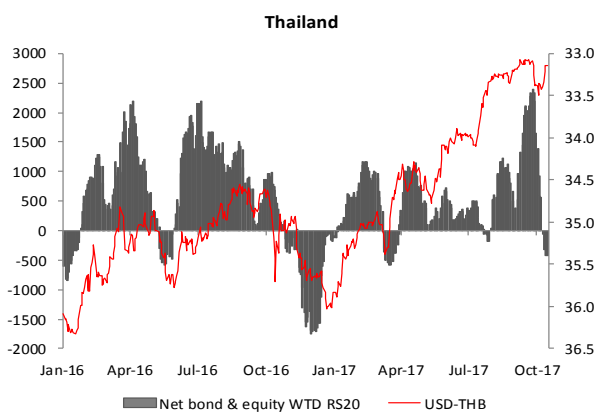
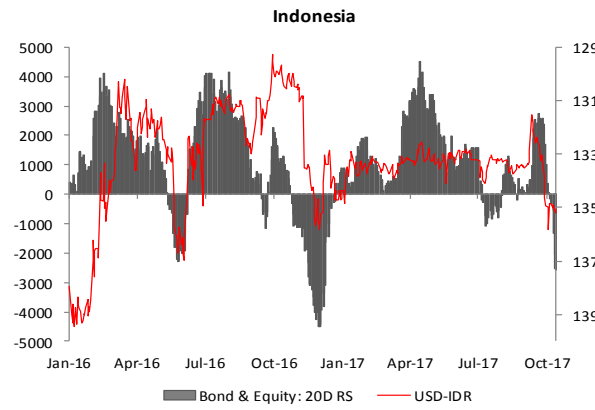
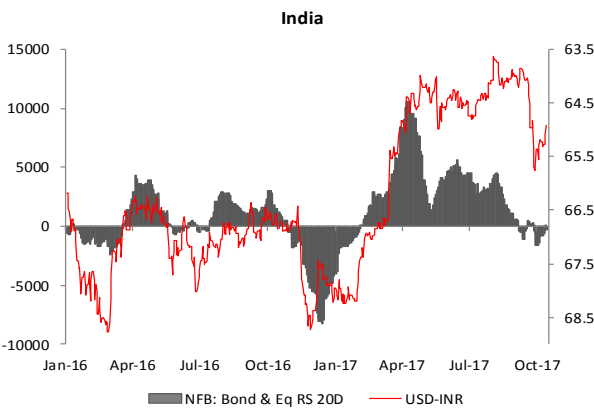
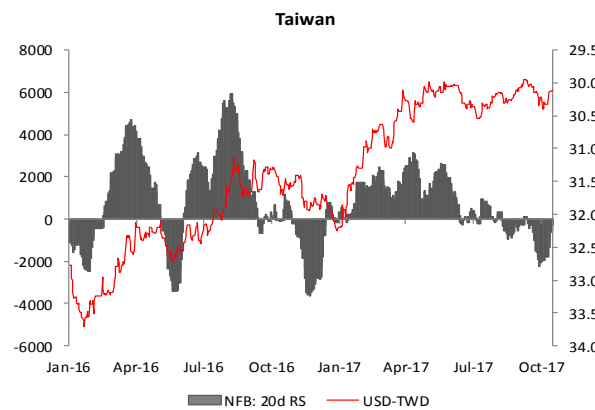
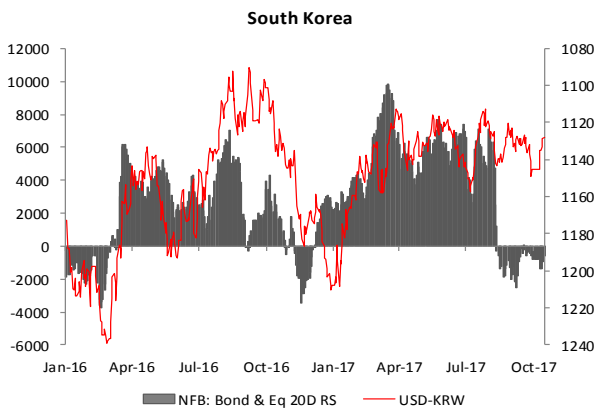
- GBP-USD** Headline risks may abound for the pound these few sessions as we head into the EU Summit on Thursday. Apart from BOE-speak today, the September CPI readings are also due at 0830 GMT. Short term implied valuations are also peaking at this juncture and look to fade rallies towards 1.3325 with an eye on 1.3170 instead.

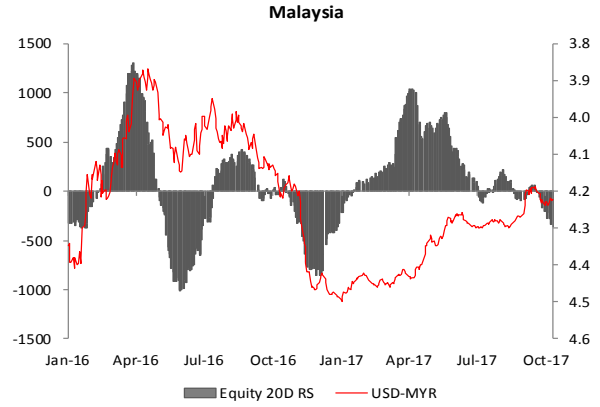


- USD-CAD** Despite firmer crude, the CAD reacted negatively to the firmer USD and Nafta news flow (albeit less negatively compared to the MXN). Short term implied valuations remain on a positive gradient for the USD-CAD and investors may collect on dips towards the 55-day MA (1.2467) for 1.2580.

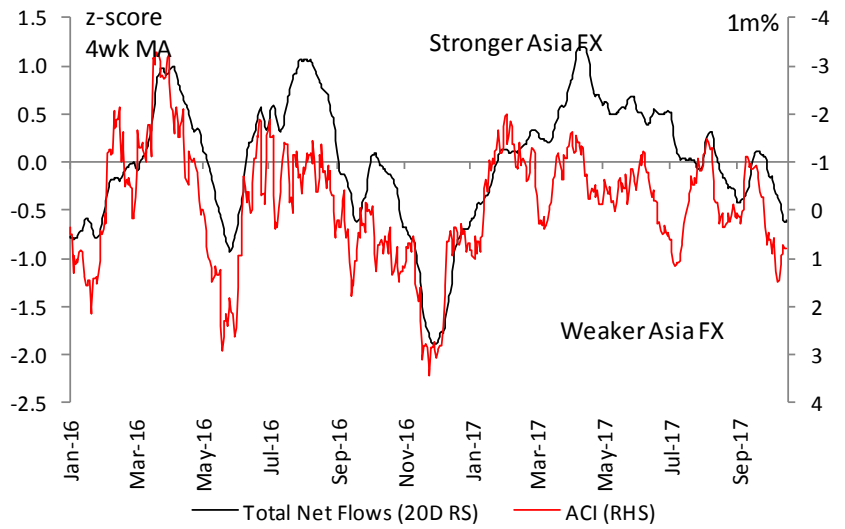
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

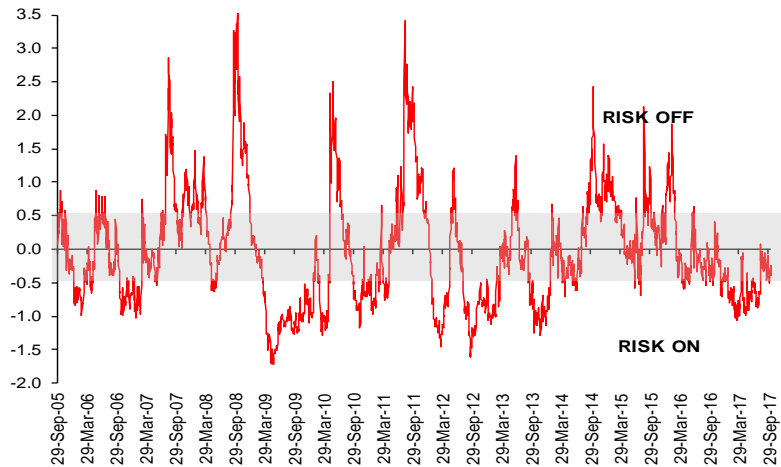




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.794	0.425	0.674	0.044	-0.482	0.782	0.084	-0.378	0.311	0.601	-0.974
CAD	0.935	0.851	0.237	0.811	0.242	-0.42	0.68	0.092	-0.34	0.174	0.393	-0.861
MYR	0.896	0.798	0.467	0.637	0.001	-0.593	0.715	0.01	-0.481	0.306	0.601	-0.87
SGD	0.884	0.78	0.684	0.439	-0.225	-0.729	0.847	-0.16	-0.353	0.237	0.806	-0.889
CHF	0.861	0.796	0.007	0.796	0.37	-0.418	0.696	-0.091	-0.33	0.284	0.242	-0.761
IDR	0.844	0.842	0.269	0.747	0.206	-0.465	0.722	0.084	-0.389	0.242	0.39	-0.784
USGG10	0.794	1	0.15	0.743	0.217	-0.565	0.806	-0.187	-0.371	0.108	0.377	-0.687
JPY	0.782	0.806	0.442	0.387	-0.163	-0.593	1	-0.059	-0.487	0.439	0.634	-0.759
TWD	0.753	0.737	0.851	0.257	-0.395	-0.765	0.809	-0.003	-0.674	0.341	0.887	-0.774
THB	0.728	0.703	0.731	0.359	-0.319	-0.801	0.772	-0.219	-0.47	0.239	0.838	-0.75
INR	0.715	0.543	0.741	0.21	-0.39	-0.378	0.681	0.373	-0.184	0.56	0.626	-0.776
CNH	0.601	0.377	0.97	-0.015	-0.622	-0.628	0.634	-0.026	-0.478	0.34	1	-0.705
CCN12M	0.431	0.392	0.771	-0.004	-0.516	-0.569	0.585	-0.132	-0.54	0.178	0.869	-0.512
CNY	0.425	0.15	1	-0.319	-0.775	-0.298	0.442	0.507	-0.129	0.512	0.97	-0.59
PHP	0.319	0.496	-0.432	0.751	0.782	-0.081	0.162	-0.208	0.119	-0.319	-0.36	-0.196
KRW	0.297	0.391	0.838	-0.199	-0.673	-0.55	0.545	0.34	-0.468	0.464	0.792	-0.388
NZD	-0.795	-0.795	-0.084	-0.825	-0.363	0.412	-0.544	0.048	0.005	0.045	-0.198	0.699
AUD	-0.853	-0.867	-0.32	-0.723	-0.162	0.485	-0.688	-0.039	0.177	-0.15	-0.364	0.78
GBP	-0.864	-0.812	0.061	-0.894	-0.423	0.497	-0.565	0.19	0.212	0.062	-0.291	0.753
EUR	-0.974	-0.687	-0.59	-0.516	0.133	0.468	-0.759	-0.166	0.341	-0.384	-0.705	1

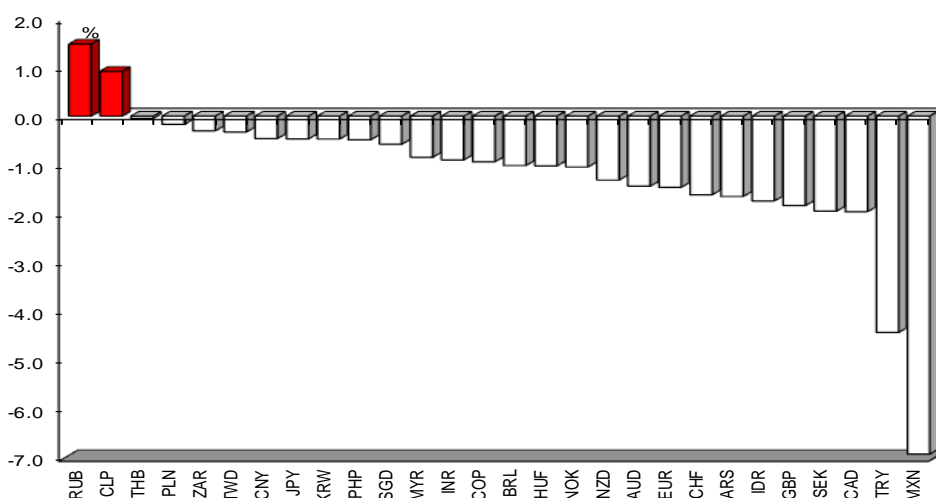
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1670	1.1700	1.1777	1.1800	1.1844
GBP-USD	1.3146	1.3200	1.3245	1.3300	1.3584
AUD-USD	0.7733	0.7800	0.7840	0.7900	0.7907
NZD-USD	0.7100	0.7156	0.7164	0.7200	0.7222
USD-CAD	1.2447	1.2500	1.2535	1.2598	1.2600
USD-JPY	111.75	112.00	112.08	113.00	113.05
USD-SGD	1.3500	1.3548	1.3549	1.3600	1.3657
EUR-SGD	1.5910	1.5928	1.5958	1.6000	1.6049
JPY-SGD	1.2000	1.2003	1.2089	1.2100	1.2115
GBP-SGD	1.7814	1.7900	1.7946	1.8000	1.8337
AUD-SGD	1.0535	1.0600	1.0622	1.0634	1.0700
Gold	1260.50	1263.83	1293.40	1298.75	1300.00
Silver	16.46	17.20	17.23	17.23	17.27
Crude	51.50	51.80	51.80	52.62	52.86

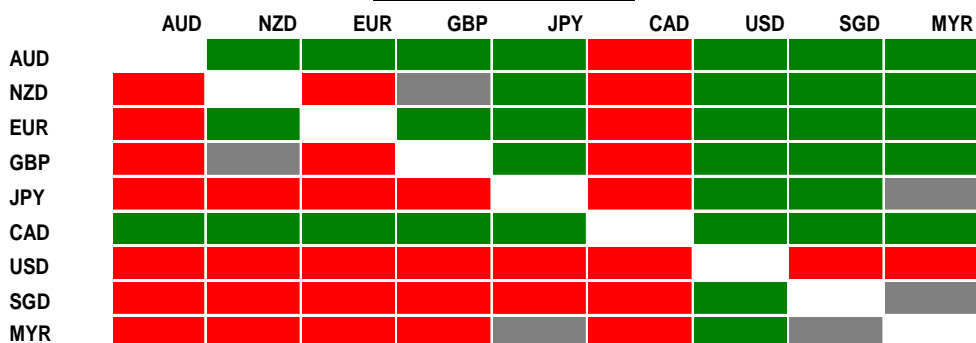
Source: OCBC Bank

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



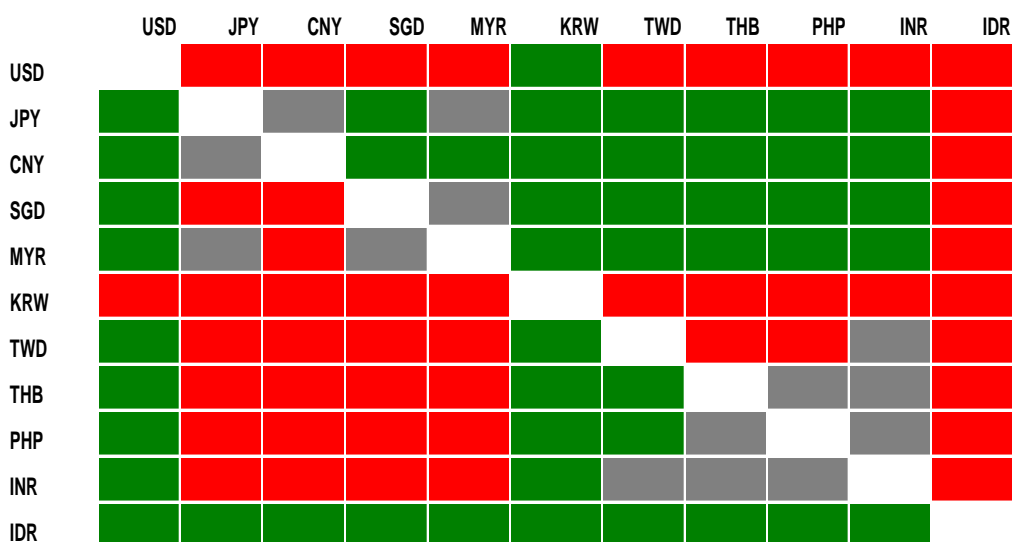
Source: Bloomberg

**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	21-Sep-17	B	USD-JPY	112.58	115.05	111.30	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	
2	28-Sep-17	S	AUD-USD	0.7816	0.7625	0.7915	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	
3	28-Sep-17	B	USD-CAD	1.2500	1.2795	1.2350	Reality check from the BOC's Poloz even as the USD garners renewed interest	
<b>STRUCTURAL</b>								
4	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
5	22-Aug-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		
6	29-Aug-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		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	11-Sep-17	18-Sep-17	S	USD-CAD	1.2128	1.2270	Support from earlier than expected BOC rate hike, inherent USD vulnerability	-1.16
2	20-Jul-17	21-Sep-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% Closed at 0.7964			More positive than expected RBA minutes, supportive data, weak USD	+0.04
3	19-Sep-17	27-Sep-17	B	GBP-USD	1.3540	1.3395	Earlier than expected paradigm change by the BOE	-1.11
4	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734	1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
5	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
6	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
							Jan-Oct*** 2017 Return	-8.68
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank



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