

**Tuesday, April 18, 2017**

**FX Themes/Strategy/Trading Ideas – Gotta behave**

- Except against the JPY, the dollar (supported by slightly firmer UST yields) came off intra-day lows within G10 space after US Treasury Secretary Mnuchin was quoted by the FT as saying that, “Over long periods of time the strength of the dollar is a good thing” and that he still expects a tax deal in 2017).
- US data points meanwhile however continued to stack up against the USD (note disappointing US CPI data from Friday) amid disappointing April Empire manufacturing and NAHB housing market Index headlines, with implied odds of a June Fed rate hike continuing to deflate (latest 49.8% probability). The Fed’s George is on tap today at 1300 GMT while RBA meeting minutes (0130 GMT) are also scheduled to be released.
- Overall, the asymmetric reaction to Mnuchin versus Trump regarding the state of the dollar may be instructive, and the former’s comments may provide only a brief respite against greenback vulnerability. In the interim, we continue to expect the market to trade off disparate themes and idiosyncratic factors instead.
- Thus, despite investors keeping half an eye on potential geopolitical flashpoints, the global reflation trade may remain in circulation following the string of better than expected China 1Q GDP and March data points on Monday – underpinning the likes of the AUD.
- On the risk appetite front, with little in the way of alarming headlines on Monday, the **FXSI (FX Sentiment Index)** dipped slightly within Risk-Neutral territory. Despite the mild improvement in the FXSI, note that investors likely remain very trigger happy in terms of nervousness towards risk aversion.
- Our 22 Mar 17 idea to be tactically short the **USD-JPY** (spot ref: 111.62) reached its 108.40 objective early Monday. Given the current state of background risk aversion and dollar skepticism, we extend our objective to 105.30, trailing the stop to 110.00.
- With dollar skepticism the likely the path of least resistance in the near term ahead of this week’s Fed speak and crude likely to remain underpinned on the back of potential geopolitical risk premiums, we look to a tactical short **USD-CAD**. From as spot ref at 1.3298 on Monday, we target 1.3065 and place a stop at 1.3415.

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### Asian FX

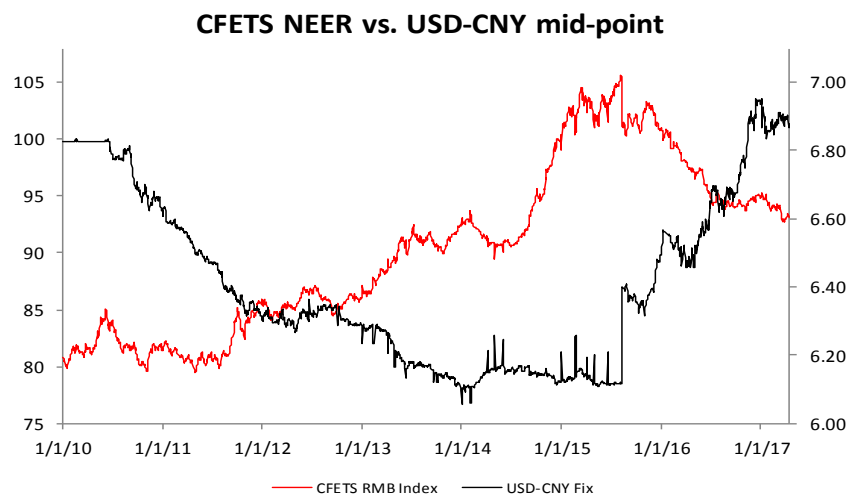
- Regional currency pairs likely to be mixed amid a slight stabilization in the dollar although regional geopolitical tensions may remain at hand (note cautionary comments towards Pyongyang from US VP Pence on Monday). From the flow perspective, the latest batch of **EPFR** numbers (increase in implied net inflows into equities, albeit with net bond inflows moderating slightly) continue to suggest implicit support for the regional currencies. The **ACI (Asian Currency Index)** meanwhile may be expected to be trapped in recent ranges and likely top heavy multi-session.
- **SGD NEER:** Despite better than expected NODX numbers, USD resilience in late NY trade has pulled the SGD NEER lower on the day to around to around +0.44% above its perceived parity (1.4041). NEER-implied USD-SGD thresholds are a touch higher on the day.
- While it remains to be seen if there will be further follow through in terms of USD strength from overnight, we expect the SGD NEER to hover in the vicinity of its +0.50% (1.3972) threshold. Our volatility indicators for the NEER and spot meanwhile remain benign and USD-SGD may find a good floor towards its 200-day MA (1.3952) pending further headline risks with 1.4020 expected to be a near term cap.



	SGD NEER	% deviation	USD-SGD
Current	124.78	0.42	1.3982
+2.00%	126.74		1.3766
Parity	124.26		1.4041
-2.00%	121.77		1.4328

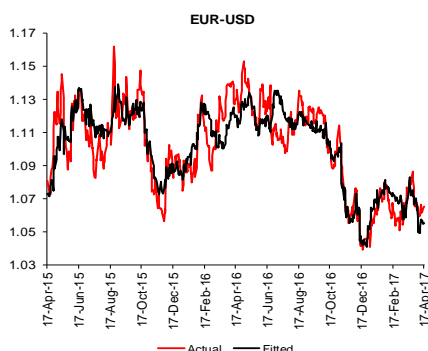
Source: OCBC Bank

- **CFETS RMB Index:** The USD-CNY mid-point firmed slight (as largely expected) to 6.8849 this morning from 6.8785 yesterday. This softened the **CFETS RMB Index** to 93.03 from 93.12 yesterday.



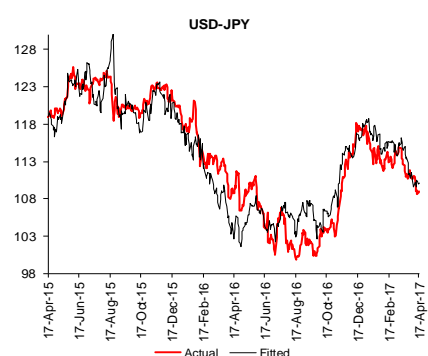
Source: OCBC Bank, Bloomberg

**G7**



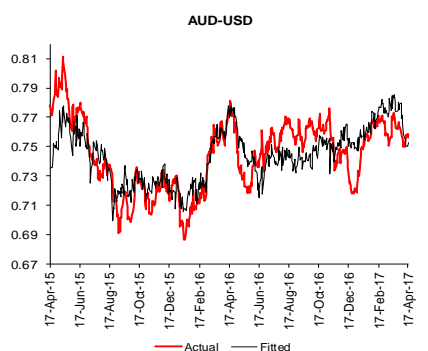
Source: OCBC Bank

- EUR-USD** The EUR-USD is trading in the upper reaches of its short term implied confidence intervals and chatter ahead of this weekend's elections may continue to put a lid on the pair. The 55-day MA (1.0659) is expected to remain a near term resistance, with potential risks still skewed towards the 100-day MA (1.0626) and 1.0600 instead.



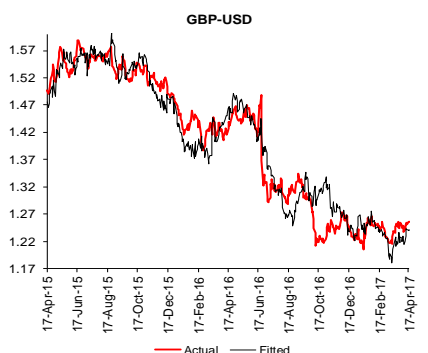
Source: OCBC Bank

- USD-JPY** USD-JPY managed to end higher on the day post-Mnuchin but continues to straddle its 200-day MA (108.85) and near term risk/reward may continue to favor downside tests towards 108.00, especially in view of potential North Korean tensions. Meanwhile, watch for further headlines risks today with the Aso-Pence meeting under the auspices of the US-Japan economic dialogue. In the interim, short term implied valuations remain suppressed.



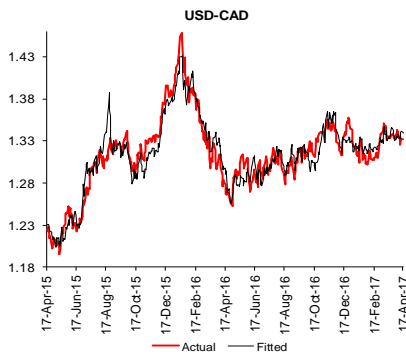
Source: OCBC Bank

- AUD-USD** AUD-USD stumbled lower this morning after RBA meeting minutes noted that the labor market had been somewhat weaker than expected. This will likely cast a pall over the pair for the rest of the global session despite relatively static short term implied valuations. In the interim, the 55-day MA (0.7623) may shelter while a key support at the 200-day MA (0.7553), if broken may open the way to 0.7500.



Source: OCBC Bank

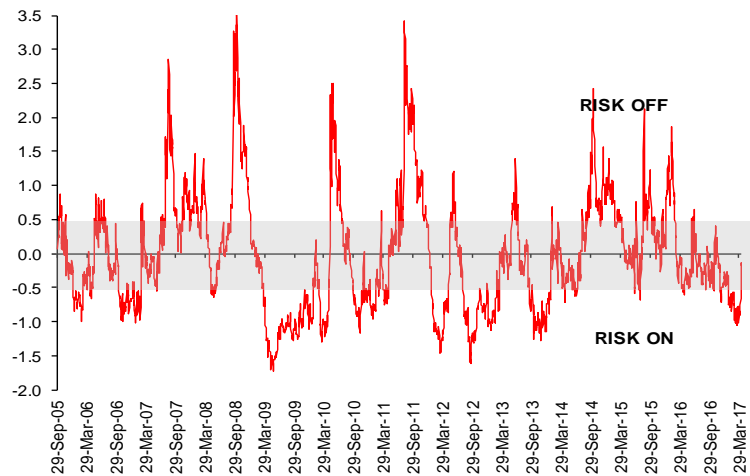
- GBP-USD** GBP-USD continued to float higher on Monday although it retraced slightly to eventually end higher on the day above 1.2550. With all eyes on the EZ front instead (9EUR-Gbp still seen heavy) and the UK calendar relatively quiet, the GBP-USD may be expected to drift along with slightly supported short term implied valuations as the UK returns after a long weekend today. Next waypoint is expected at the 200-day MA (1.2623) if 1.2600 is taken out.



- USD-CAD** USD-CAD bounced off intra-day lows in the wake of Mnuchin’s comments on Monday, with softening WTI giving additional lift to the pair. However, short term implied valuations remain static and we continue to prefer a heavy posture within 1.3270-1.3350 in the interim.

Source: OCBC Bank

**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	-0.434	0.757	0.285	0.727	0.847	-0.258	0.839	0.341	-0.515	0.868	-0.932
CHF	0.956	-0.559	0.620	0.193	0.706	0.921	-0.425	0.905	0.431	-0.481	0.841	-0.985
CNH	0.868	-0.285	0.761	0.245	0.641	0.784	-0.190	0.716	0.366	-0.487	1.000	-0.803
CNY	0.757	0.099	1.000	0.479	0.617	0.497	0.269	0.394	-0.008	-0.446	0.761	-0.543
KRW	0.647	-0.648	0.348	-0.221	0.393	0.818	-0.657	0.785	0.776	-0.135	0.741	-0.708
SGD	0.583	-0.004	0.521	0.049	0.356	0.497	0.019	0.429	0.223	-0.617	0.755	-0.548
TWD	0.559	-0.034	0.653	0.062	0.231	0.397	0.015	0.352	0.337	-0.202	0.655	-0.425
MYR	0.399	0.333	0.626	0.291	0.199	0.159	0.424	0.153	-0.078	-0.440	0.384	-0.189
CCN12M	0.187	0.371	0.585	0.172	0.215	0.032	0.483	-0.160	0.008	0.001	0.333	0.089
THB	-0.012	0.505	0.504	-0.115	-0.021	-0.168	0.517	-0.375	0.013	0.087	0.225	0.238
CAD	-0.065	0.359	0.093	0.158	0.038	-0.286	0.418	-0.267	-0.523	-0.493	-0.055	0.146
JPY	-0.258	0.949	0.269	0.604	-0.203	-0.599	1.000	-0.696	-0.855	-0.208	-0.190	0.475
IDR	-0.309	0.722	-0.032	0.444	-0.317	-0.642	0.732	-0.629	-0.843	-0.232	-0.383	0.414
GBP	-0.342	-0.504	-0.726	-0.536	-0.317	-0.036	-0.614	0.116	0.436	0.437	-0.417	0.038
USGG10	-0.434	1.000	0.099	0.474	-0.390	-0.704	0.949	-0.782	-0.813	-0.123	-0.285	0.603
PHP	-0.496	0.781	-0.175	0.123	-0.409	-0.765	0.761	-0.758	-0.807	-0.024	-0.508	0.536
AUD	-0.676	0.603	-0.232	0.216	-0.409	-0.737	0.563	-0.814	-0.608	0.509	-0.646	0.721
INR	-0.745	0.682	-0.284	0.052	-0.544	-0.900	0.588	-0.916	-0.513	0.586	-0.629	0.837
NZD	-0.821	0.460	-0.434	-0.057	-0.599	-0.785	0.345	-0.797	-0.404	0.655	-0.735	0.785
EUR	-0.932	0.603	-0.543	-0.150	-0.606	-0.911	0.475	-0.924	-0.475	0.429	-0.803	1.000

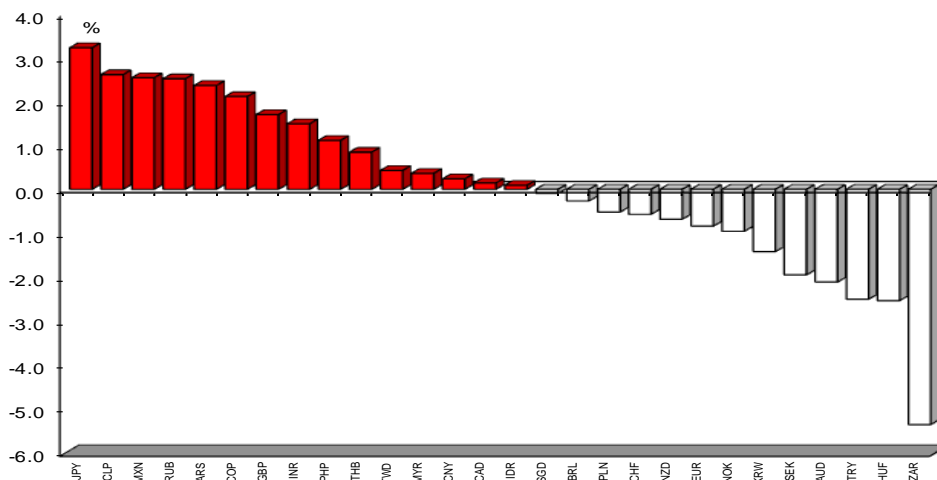
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0600	1.0648	1.0650	1.0700	1.0842
GBP-USD	1.2413	1.2500	1.2566	1.2592	1.2600
AUD-USD	0.7500	0.7549	0.7566	0.7600	0.7618
NZD-USD	0.6925	0.7000	0.7005	0.7051	0.7058
USD-CAD	1.3294	1.3300	1.3331	1.3400	1.3430
USD-JPY	108.82	109.00	109.01	110.00	112.24
USD-SGD	1.3923	1.3942	1.3977	1.4000	1.4040
EUR-SGD	1.4800	1.4802	1.4885	1.4900	1.4970
JPY-SGD	1.2527	1.2800	1.2822	1.2832	1.2887
GBP-SGD	1.7456	1.7500	1.7564	1.7584	1.7586
AUD-SGD	1.0500	1.0524	1.0574	1.0600	1.0713
Gold	1241.21	1261.00	1282.10	1285.86	1294.80
Silver	18.00	18.20	18.40	18.66	18.70
Crude	52.05	52.60	52.63	52.70	54.69

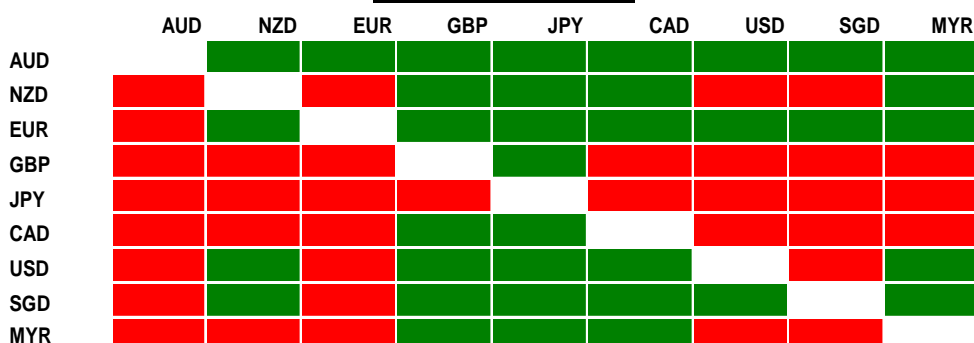
Source: OCBC Bank

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



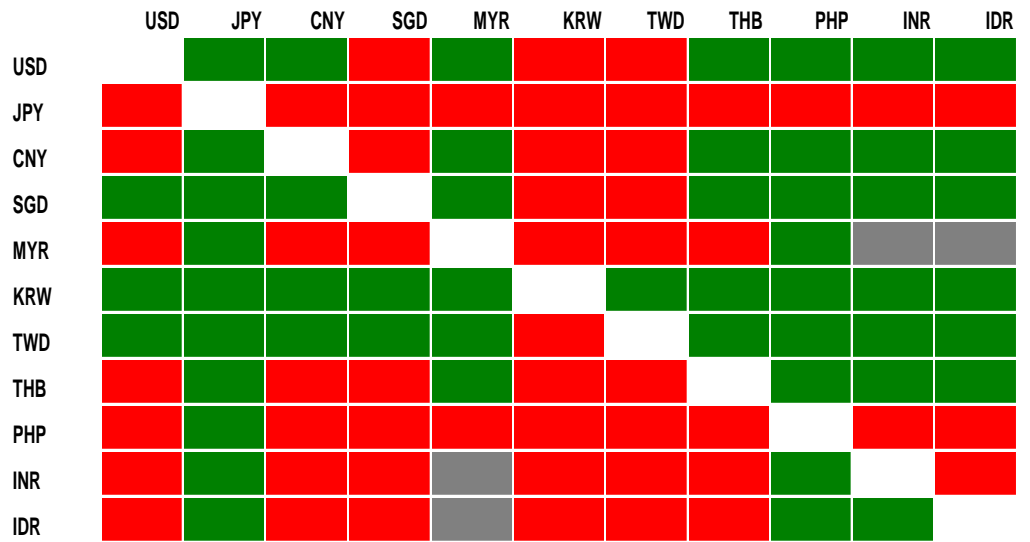
Source: Bloomberg

**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	22-Mar-17	S	USD-JPY	111.62	105.30 110.00	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		
4	17-Apr-17	S	USD-CAD	1.3298	1.3065 1.3415	Vulnerable USD; supported crude on geopolitics		
<b>STRUCTURAL</b>								
5	22-Nov-16	B	USD-JPY	110.81	123.40 104.50	Potential for a more activist Fed, static BOJ		
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		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	25-Oct-16	20-Mar-17	B	USD-SGD	1.3919	1.3984	Bullish dollar prospects, negative space for SGD NEER	+0.54
2	03-Mar-17	20-Mar-17	S	GBP-USD	1.2253	1.2435	Sustained Brexit risks vs. recent USD resilience	-1.46
3	28-Nov-16	27-Mar-17	S	EUR-USD	1.0641	1.0843	USD in ascendance, poiltical risk premium in EZ	-1.04
4	27-Mar-17	29-Mar-17	B	GBP-USD	1.2570	1.2390	Spillover from buoyant EUR-USD, GBP shorts wrong footed	-1.46
5	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
6	17-Mar-17	10-Apr-17	S	USD-SGD	1.4029	1.4067	Vulnerable USD, positive risk appetite, tolerant MAS	-0.27
7	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
8	14-Feb-17	14-Apr-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	-1.19**
* realized **of notional							Jan-Mar 2017 Return -11.88	
							2016 Return +6.91	

Source: OCBC Bank



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