

**Friday, January 20, 2017**

## FX Themes/Strategy/Trading Ideas

- The USD-JPY was pretty much the only fan of firmer UST yields (bear steepened) on Thursday, with the greenback retreating elsewhere across G10 space (except for the CAD, which was nervous ahead of Trump on Friday). US yields were supported by a string of better than expected data prints (housing starts, initial claims, Philly Fed) but these failed to make a lasting impression on the USD.
- Meanwhile, Treasury Secretary Nominee Mnuchin was supportive of a strong dollar and added that he would tag China as a currency manipulator if needed but dollar bulls remain unmoved. On other fronts, the ECB's Draghi demonstrated scant hints of hawkishness and underscored an accommodative stance in his press conference, undermining the EUR initially before broader greenback vulnerability re-emerged. Elsewhere, the antipodeans continued to outperform against the dollar as well as across the board despite the **FXSI (FX Sentiment Index)** inching higher within Risk-Neutral territory.
- For today, expect investor attention to be focused on the President-elect's inauguration (swearing in at 1430 GMT, inaugural speech at 1730 GMT) with positioning already lightened on Thursday and USD skepticism still circulating.
- With regards to Fed-speak, Yellen this morning in Asia shed no new light on the Fed's posture but look also to Harker (1400 GMT) and Williams (1800 GMT) later today. During the Asian session, China's 4Q GDP numbers would also bear watching.

## Asian FX

- EM/Asian FX may be expected to be particularly sensitive to risk appetite/Trump/dollar gyrations into the end of the week, with Asian equities off to a negative start early Friday. Overall, the **ACI (Asian Currency Index)** may not venture into new territory in the absence of additional external stimulus. On the central bank front, both BNM and Bank Indonesia remained static at 3.00% and 4.75% as widely expected on Thursday.
- **SGD NEER:** The SGD NEER is relatively firmer this morning at -0.29% below its perceived parity (1.4219) with NEER-implied USD-SGD thresholds flat to a sliver firmer on the day. At current levels, the -0.50% threshold is estimated at 1.4291 while the 55-day MA (1.4293) would also reinforce a near term resistance zone for the pair pending further volatility later in the

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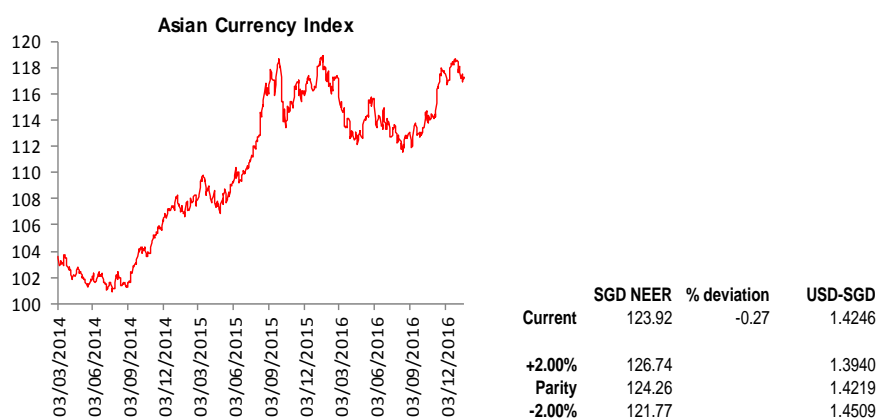
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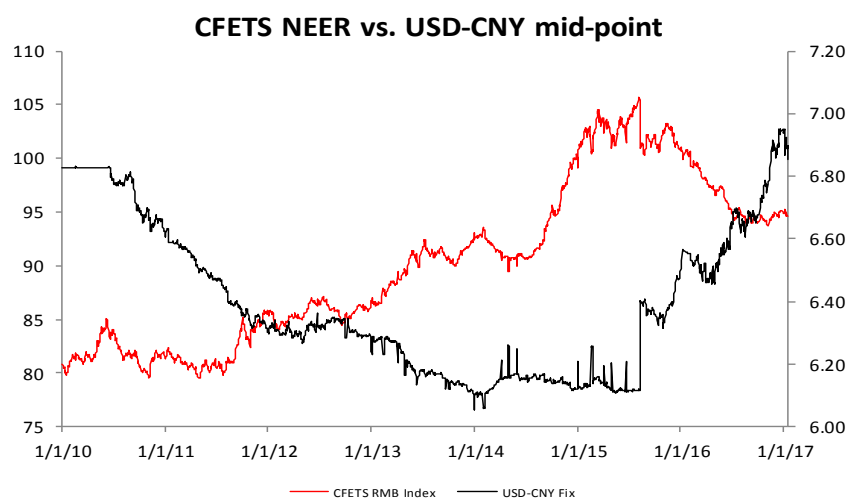
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global session. Initial support expected on dips towards 1.4215. In the interim, we would expect dollar skeptics to continue to fade upticks in the pair.



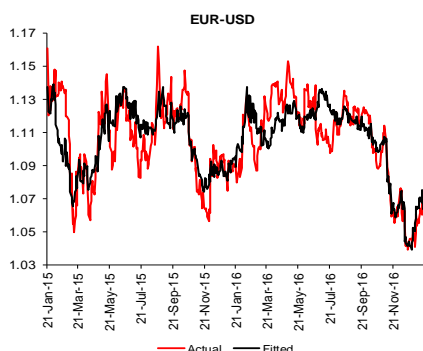
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point this morning rose (as largely expected) to 6.8693 from 6.8568, pressuring the **CFETS RMB Index** lower to 94.86 from 95.15 yesterday.



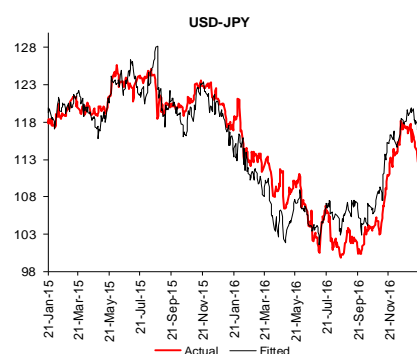
Source: OCBC Bank, Bloomberg

## G7



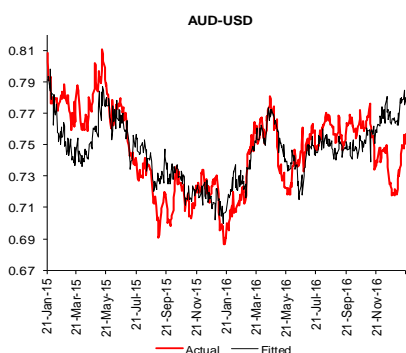
Source: OCBC Bank

- **EUR-USD** Tension between a somewhat disappointing (read: dovish) Draghi and uncertainty towards the USD may trap the EUR-USD in a range pending headlines later today, although short term implieds are heavier for the pair. Levels to watch include the 55-day MA (1.0609) and 1.0770 up top.



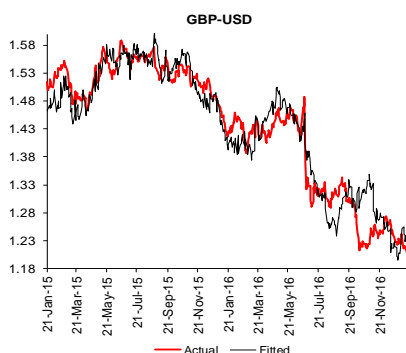
Source: OCBC Bank

- **USD-JPY** Outside of the CAD and MXN, expect the JPY to remain relatively more responsive to potential volatility given today's calendar. Note also that the USD-JPY shadowed firmer short term implied valuations overnight. In the interim, the pair may remain bounded by its – day MA (113.88) and 115.80.



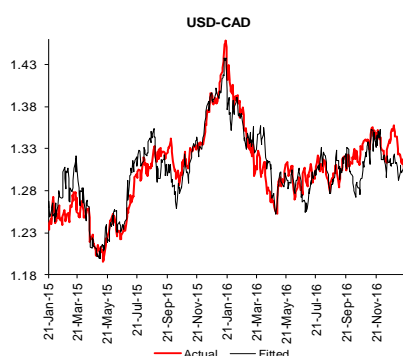
Source: OCBC Bank

- **AUD-USD** With China GDP numbers this morning proving supportive, the AUD-USD may remain supported in line with its short term implied valuations. Above and beyond 0.7600, 0.7625 may provide some initial resistance while the floor at 0.7500 is seen intact for now.



Source: OCBC Bank

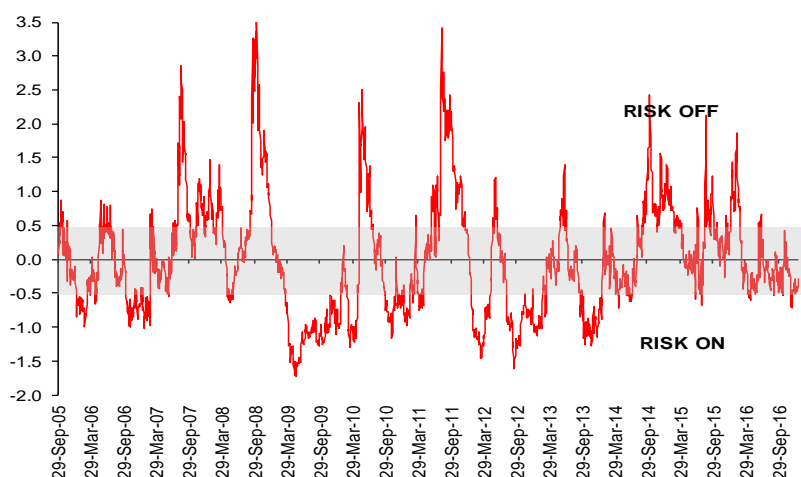
- **GBP-USD** GBP-USD may look offshore for trading cues today and with the broad dollar also looking shaky in the run up to Trump's inauguration. On the upside, 1.2400, the 55-day MA (1.2408) and 1.2435 may be breached if broad USD skepticism deepens.



Source: OCBC Bank

- USD-CAD** Needless to say, the CAD remains at risk (alongside the MXN) today while short term implied valuations are also attempting to bottom out. The 55-day MA (1.3356) is seen at risk in the near term before 1.3400 while 1.3250 is expected to offer initial support.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	0.775	0.915	-0.359	-0.865	-0.695	0.964	0.402	0.077	-0.574	0.839	-0.985
CHF	0.989	0.792	0.916	-0.362	-0.882	-0.684	0.936	0.440	0.080	-0.531	0.873	-0.988
JPY	0.964	0.736	0.875	-0.328	-0.807	-0.706	1.000	0.420	0.098	-0.609	0.796	-0.944
THB	0.954	0.745	0.859	-0.404	-0.913	-0.648	0.914	0.573	0.056	-0.571	0.780	-0.938
SGD	0.942	0.767	0.884	-0.533	-0.878	-0.654	0.935	0.459	0.282	-0.482	0.911	-0.943
CNY	0.915	0.609	1.000	-0.400	-0.722	-0.657	0.875	0.398	0.111	-0.394	0.869	-0.887
TWD	0.850	0.498	0.862	-0.543	-0.750	-0.484	0.833	0.596	0.341	-0.454	0.767	-0.805
CAD	0.843	0.856	0.715	-0.616	-0.903	-0.526	0.800	0.403	0.432	-0.483	0.847	-0.789
CNH	0.839	0.713	0.869	-0.648	-0.807	-0.632	0.796	0.302	0.383	-0.239	1.000	-0.847
KRW	0.826	0.421	0.896	-0.456	-0.660	-0.547	0.788	0.487	0.122	-0.349	0.759	-0.764
USGG10	0.775	1.000	0.609	-0.307	-0.860	-0.530	0.736	0.227	0.119	-0.526	0.713	-0.772
IDR	0.775	0.737	0.667	-0.647	-0.885	-0.516	0.760	0.472	0.450	-0.629	0.728	-0.781
MYR	0.718	0.236	0.740	-0.387	-0.580	-0.419	0.694	0.537	0.160	-0.506	0.512	-0.694
CCN12M	0.690	0.489	0.745	-0.784	-0.705	-0.304	0.657	0.581	0.635	-0.293	0.801	-0.681
PHP	0.288	0.702	0.133	-0.378	-0.504	-0.370	0.231	-0.125	0.237	-0.268	0.392	-0.352
GBP	0.115	0.222	-0.131	-0.120	-0.315	0.085	0.142	0.167	0.126	-0.351	-0.093	-0.049
INR	-0.081	-0.345	0.058	0.062	0.432	-0.070	-0.100	-0.330	0.113	0.230	0.005	0.078
AUD	-0.932	-0.672	-0.865	0.507	0.898	0.590	-0.914	-0.621	-0.213	0.506	-0.833	0.923
NZD	-0.950	-0.691	-0.879	0.353	0.861	0.679	-0.933	-0.515	-0.041	0.530	-0.812	0.943
EUR	-0.985	-0.772	-0.887	0.364	0.861	0.696	-0.944	-0.412	-0.092	0.550	-0.847	1.000

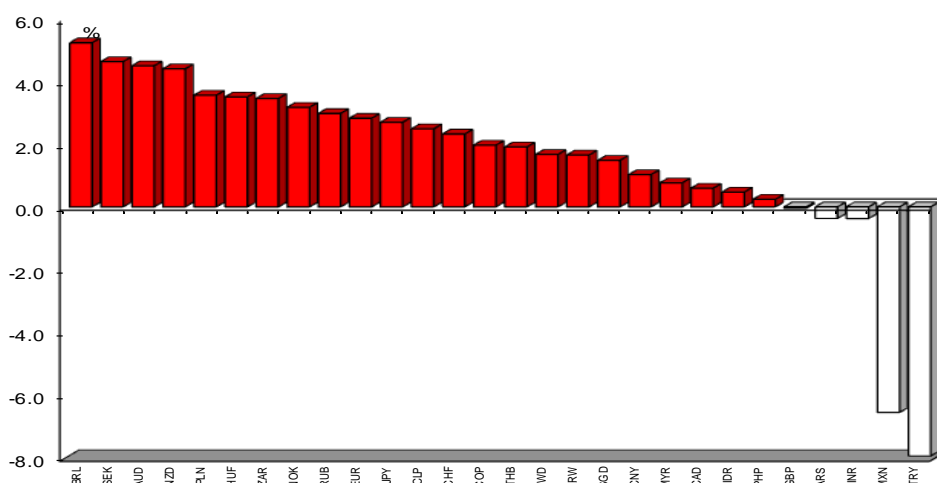
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0571	1.0600	1.0680	1.0700	1.0719
GBP-USD	1.2073	1.2300	1.2364	1.2394	1.2400
AUD-USD	0.7494	0.7500	0.7587	0.7588	0.7600
NZD-USD	0.7087	0.7200	0.7223	0.7237	0.7239
USD-CAD	1.3108	1.3200	1.3287	1.3300	1.3345
USD-JPY	114.00	114.65	114.73	115.00	118.57
USD-SGD	1.4152	1.4200	1.4241	1.4300	1.4311
EUR-SGD	1.5185	1.5200	1.5210	1.5220	1.5300
JPY-SGD	1.2245	1.2400	1.2415	1.2483	1.2500
GBP-SGD	1.7259	1.7600	1.7609	1.7700	1.7741
AUD-SGD	1.0561	1.0800	1.0804	1.0808	1.0832
Gold	1183.74	1200.00	1207.60	1218.90	1228.72
Silver	16.76	17.00	17.08	17.10	17.36
Crude	51.01	51.50	51.55	51.60	54.67

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		Red	Red	Red	Green	Red	Red	Red	Red
NZD	Green		Red	Red	Green	Red	Red	Red	Red
EUR	Green	Green		Red	Green	Red	Red	Red	Red
GBP	Green	Green	Green		Green	Green	Grey	Green	Green
JPY	Red	Red	Red	Red		Red	Red	Red	Red
CAD	Green	Green	Green	Red	Green		Red	Green	Grey
USD	Green	Green	Green	Grey	Green	Green		Green	Green
SGD	Green	Green	Green	Red	Green	Red	Red		Green
MYR	Green	Green	Green	Red	Green	Grey	Red	Red	

Source: OCBC Bank

### Asia FX Heat Map

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

Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	27-Dec-16	S	GBP-USD	1.2276	1.1805	1.2515	A50 risks, UK current account deficits, broad USD strength	
2	09-Jan-17	S	USD-CAD	1.3264	1.3000	1.3400	Supportive crude and labor market numbers	
3	12-Jan-17	S	USD-JPY	114.63	110.50	116.75	Downward consolidation post-Trump press conference	
4	12-Jan-17	B	AUD-USD	0.7463	0.7670	0.7355	Reflation may dominate as the Trump trade pauses	
5	18-Jan-17	B	EUR-USD	1.0688	1.1015	1.0520	Dollar hiccup, hint of inflation in EZ	
	STRUCTURAL							
6	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
7	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
8	28-Nov-16	S	EUR-USD	1.0641	0.9855	1.1035	USD in ascendance, political risk premium in EZ	
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	01-Dec-16	29-Dec-16	B	USD-JPY	114.54	116.40	New lease of life for USD from higher UST yields	+1.78
2	19-Dec-16	30-Dec-16	S	EUR-USD	1.0464	1.0620	Ensuing hawkish Fed rhetoric post-FOMC	-1.41
3	27-Dec-16	02-Jan-17	B	USD-CAD	1.3530	1.3390	Policy dichotomy, Trump Trade, slight de-linking with crude	-1.09
4	20-Dec-16	05-Jan-17	B	USD-SGD	1.4481	1.4399	Hostile USD/risk appetite environment for Asian FX, SGD	-0.57
5	19-Dec-16	10-Jan-17	S	AUD-USD	0.7294	0.7359	FOMC outcome forcing a near term reassessment of carry	-0.93
6	20-Dec-16	12-Jan-17	Bearish 2M AUD-USD Seagull Spot: 0.7243; Strikes: 0.7007, 0.7232, 0.7451; Cost: 0.41%				USD resilience, reassessment of carry, static RBA, sketchy fiscal outlook	-1.75*
	*of notional							
	2016 Return							+6.91

Source: OCBC Bank

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