

Tuesday, August 22, 2017

**FX Themes/Strategy/Trading Ideas**

- Softer UST yields (10y still on the precipice of 2.20%) and more sanguine risk appetite levels saw the USD continuing to retreat against its majors on Monday. EUR-USD took out the 1.1800 handle after a WSJ article indicated that the ECB's Draghi would address the issue of balance sheet tapering at Jackson Hole. Meanwhile, background geopolitical concerns were seen keeping the USD-JPY top heavy with the pair sub-109.00 by late NY.
- Today, the ECB's **Constancio** is due to make an appearance at 1200 GMT while the calendar brings the August German ZEW (0900 GMT), August UK CBI readings (100 GMT), and the August Richmond Fed index at 1400 GMT. In Asia, markets expect **Bank Indonesia** to remain static on its policy parameters at its policy meeting today.
- With little else to distract, investors may focus on risk appetite plays amid flat to positive global equities and gains in metals on Monday with the broad dollar likely still on the defensive and on the path of least resistance at this juncture.

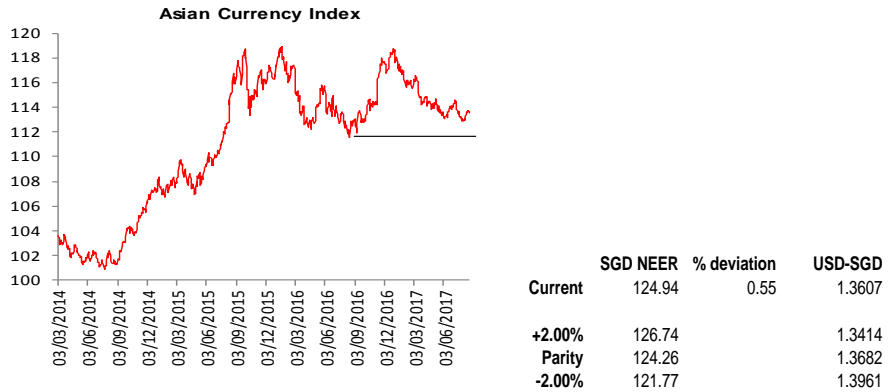
**Asian FX**

- In Asia, on net portfolio inflows, we are still awaiting signs of a rebound in inflows for the KRW and TWD, while net inflows for the IDR and the INR continue to undergo a moderation. Elsewhere, the recent strong inflow environment for the THB is also topping out in the near term.
- Nevertheless, a slightly vulnerable greenback from overnight (and the continued softness in USD-CNH), expect USD-Asia to be slightly heavier intra-day. On the **renminbi** complex, note that a newswire quoted a senior advisor to the PBOC as saying that it is "totally possible" that the yuan may rise to 6.60 or 6.50 by year-end.
- Elsewhere, the **FXSI (FX Sentiment Index)** inched higher slightly within Risk-Neutral territory on Monday and with the Index no longer in Risk-On territory. This, coupled with ongoing caution on the net portfolio inflow front for Asia, may imply that Asian FX resilience in the face of DXY vulnerability may be less than enthusiastic at this juncture.
- **SGD NEER:** The SGD NEER firmed again on Monday and is currently around +0.54% above its perceived parity (1.3682). NEER-implied USD-SGD thresholds are softer on the day with +0.50% estimated at 1.3614 and +0.80% at 1.3574, with the latter likely an interim floor for the pair if 1.3600 is

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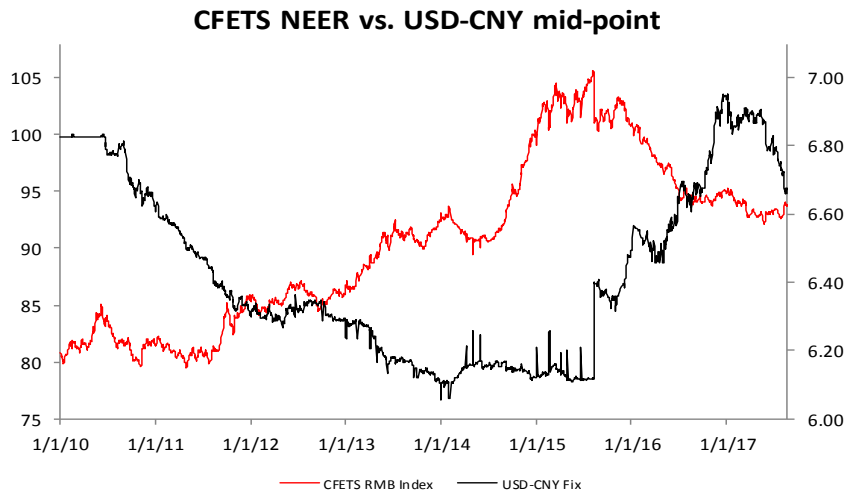
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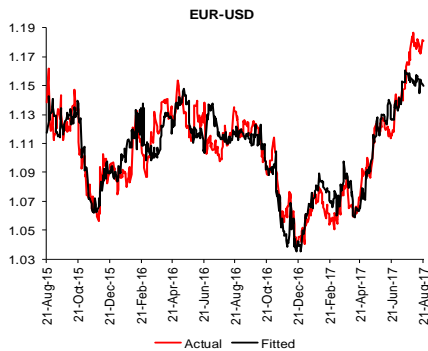
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point slipped (slightly more than expected) to 6.6597 from 6.6709 on Monday. This still left the CFETS RMB Index lower on the day at 93.69 from 93.71 yesterday.



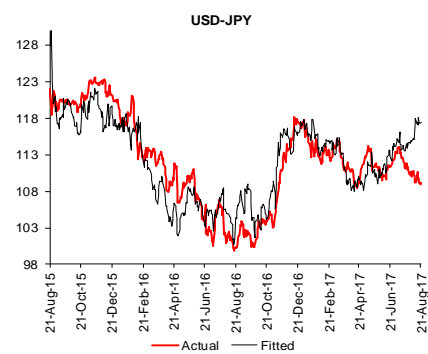
Source: OCBC Bank, Bloomberg

**G7**



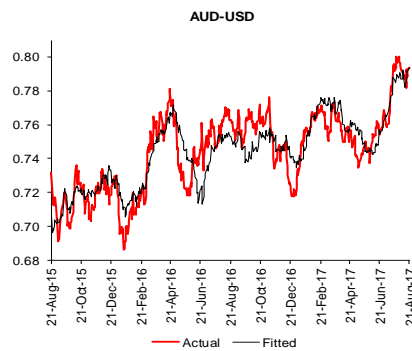
Source: OCBC Bank

- **EUR-USD** Despite overnight moves in the common currency, the EUR-USD may remain apprehensive towards a near term range break ahead of the event risks surrounding the Jackson Hole symposium. With short term implied valuations still looking heavy, 1.1860 may continue to cap in the near term.



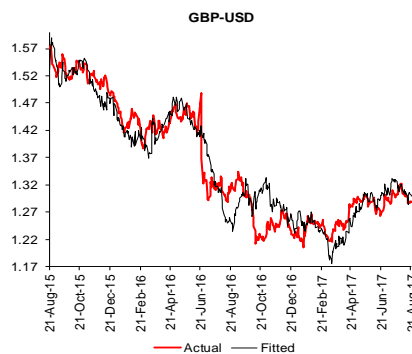
Source: OCBC Bank

- **USD-JPY** Short term implied valuations remain trapped in recent ranges although we'd continue to favor a top heavy posture on the back of near term USD vulnerability and potential for risk aversion. As noted yesterday, overall, risk reward may continue to auger for a violation of 109.00 towards 108.50/60.



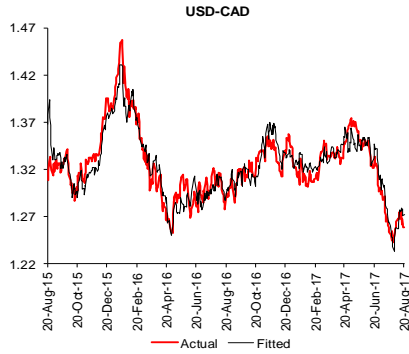
Source: OCBC Bank

- **AUD-USD** AUD-USD may remain slightly reticent towards excessive upside despite the positive metals complex and amidst global investor trepidation. Despite supportive short term implied valuations, continue to favor fading upticks within 0.7820-0.8000 in the interim.



Source: OCBC Bank

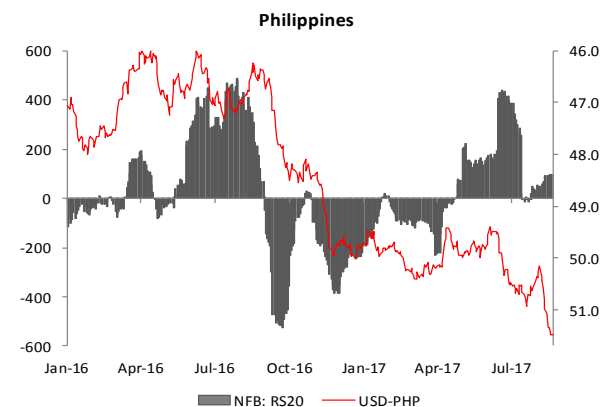
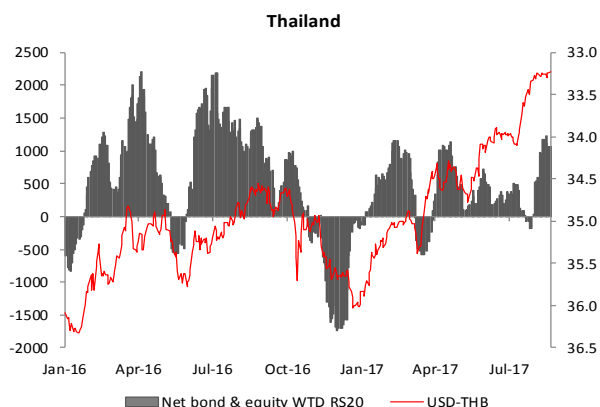
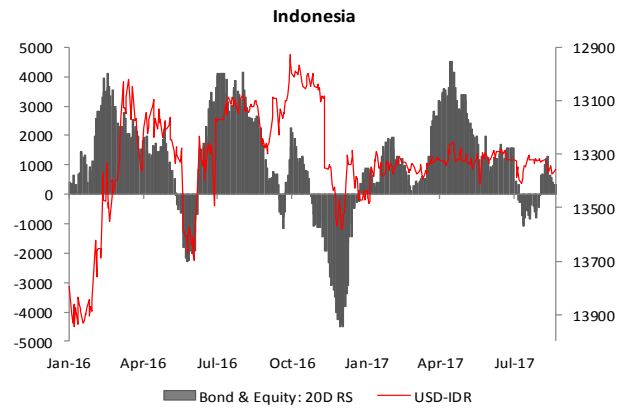
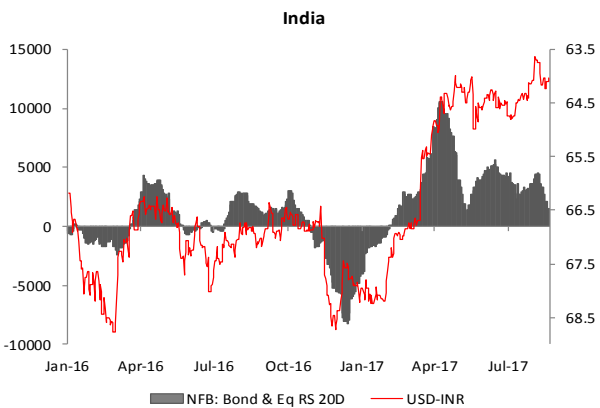
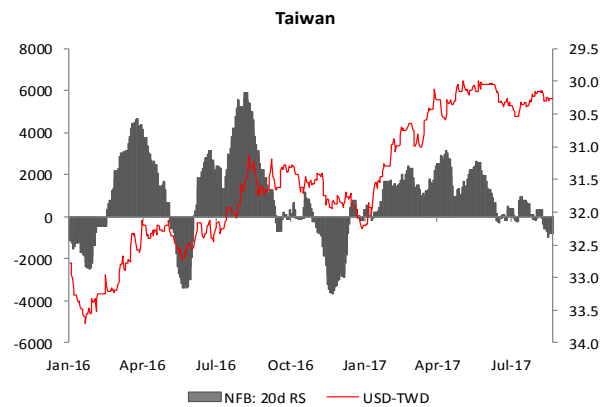
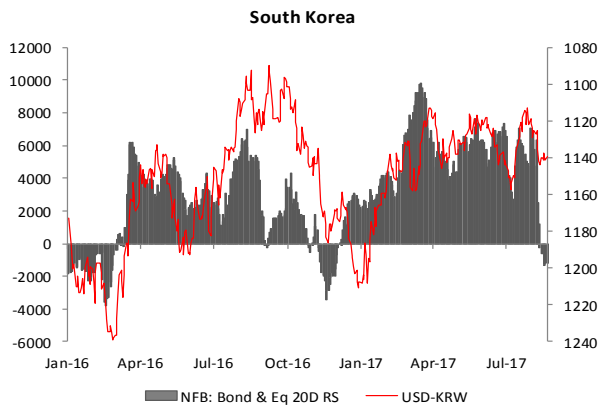
- **GBP-USD** Overall sentiment towards the pound continues to remain less than positive, with potential EUR positivity also eclipsing the former these few sessions. In the near term, the 55-day MA (1.2930) may continue to cap for cable with short term implied valuations attempting to tick lower. Overall, no change in near term views and 1.2800 may continue to attract.

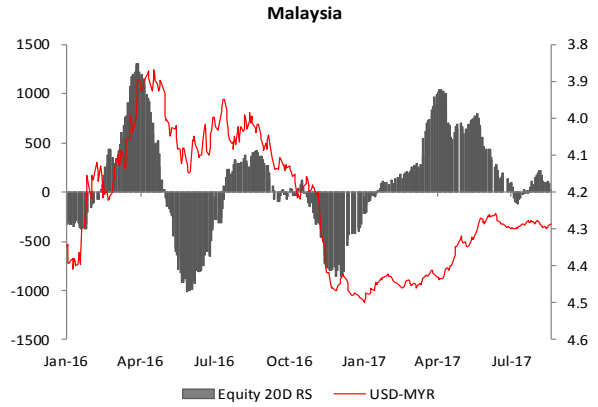


- USD-CAD** USD-CAD made the most of USD heaviness and fell further on Monday despite crude slumping below 48.00. Look towards June Canadian retail sales numbers later today and the pair may remain mixed to trapped within 1.2500-1.2700.

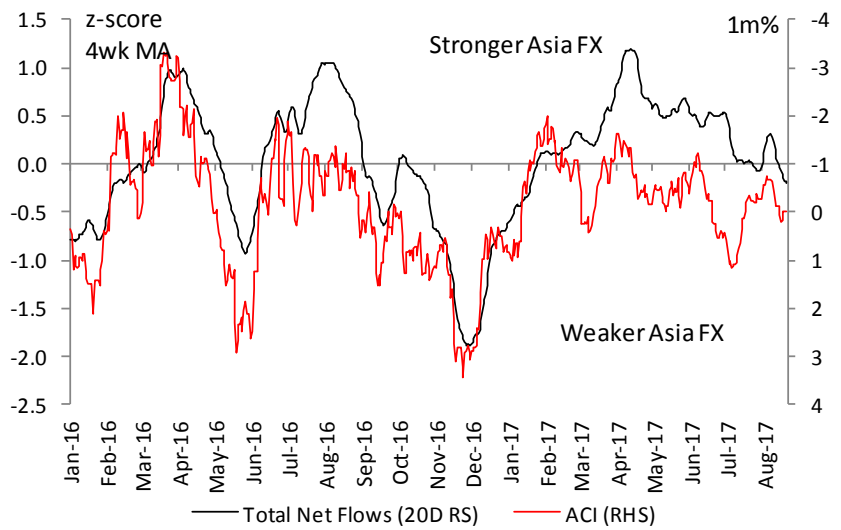
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

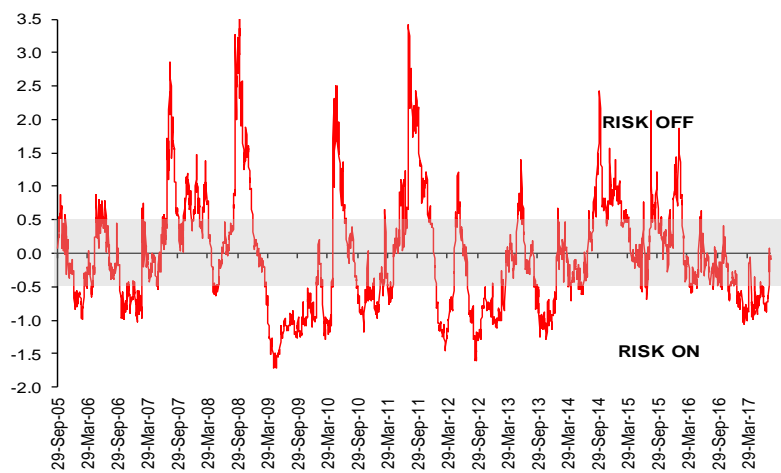




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.371	0.231	0.126	0.017	-0.461	0.514	-0.429	-0.136	-0.049	0.254	-0.94
THB	0.545	0.649	0.741	0.461	0.043	-0.149	0.769	-0.227	-0.566	-0.367	0.685	-0.624
SGD	0.541	-0.363	-0.546	-0.376	-0.147	-0.631	-0.218	-0.544	0.494	0.482	-0.478	-0.36
JPY	0.514	0.922	0.896	0.809	0.398	0.225	1	0.165	-0.838	-0.768	0.91	-0.544
USGG10	0.371	1	0.825	0.789	0.382	0.435	0.922	0.391	-0.807	-0.76	0.853	-0.422
TWD	0.347	-0.187	-0.086	-0.401	-0.663	-0.709	-0.055	-0.663	0.304	0.542	-0.184	-0.417
INR	0.332	0.124	0.124	-0.252	-0.521	-0.511	0.114	-0.513	0.088	0.342	0.045	-0.502
CNH	0.254	0.853	0.98	0.783	0.436	0.415	0.91	0.33	-0.889	-0.855	1	-0.354
CNY	0.231	0.825	1	0.746	0.415	0.352	0.896	0.222	-0.88	-0.83	0.98	-0.34
PHP	0.187	-0.582	-0.599	-0.712	-0.58	-0.799	-0.533	-0.703	0.663	0.824	-0.72	-0.141
CAD	0.129	-0.442	-0.726	-0.277	-0.137	-0.25	-0.405	-0.141	0.562	0.427	-0.579	0.107
CCN12M	0.077	-0.635	-0.562	-0.454	-0.297	-0.689	-0.457	-0.582	0.497	0.527	-0.552	0.095
MYR	-0.009	-0.559	-0.783	-0.523	-0.45	-0.54	-0.543	-0.396	0.721	0.728	-0.751	0.137
IDR	-0.092	-0.54	-0.647	-0.577	-0.629	-0.605	-0.538	-0.443	0.625	0.751	-0.706	0.199
NZD	-0.144	0.659	0.844	0.575	0.358	0.59	0.604	0.486	-0.727	-0.734	0.808	-0.05
KRW	-0.295	-0.878	-0.932	-0.704	-0.483	-0.422	-0.877	-0.291	0.832	0.812	-0.934	0.413
AUD	-0.345	0.396	0.666	0.331	0.363	0.51	0.321	0.416	-0.538	-0.557	0.537	0.154
CHF	-0.37	-0.068	-0.279	0.129	0.24	0.371	-0.203	0.451	0.053	-0.155	-0.186	0.531
GBP	-0.427	0.565	0.622	0.621	0.372	0.789	0.464	0.692	-0.608	-0.692	0.683	0.281
EUR	-0.94	-0.422	-0.34	-0.089	0.018	0.41	-0.544	0.419	0.166	0.072	-0.354	1

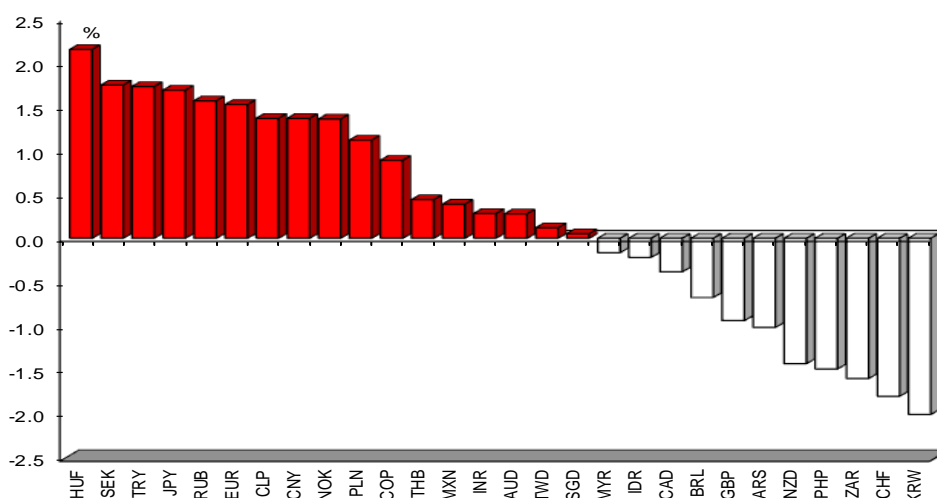
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1684	1.1800	1.1817	1.1872	1.1900
GBP-USD	1.2812	1.2900	1.2906	1.2938	1.3000
AUD-USD	0.7828	0.7900	0.7946	0.8000	0.8020
NZD-USD	0.7300	0.7325	0.7331	0.7400	0.7542
USD-CAD	1.2422	1.2500	1.2556	1.2600	1.2790
USD-JPY	108.71	109.00	109.24	110.00	111.34
USD-SGD	1.3543	1.3600	1.3608	1.3667	1.3700
EUR-SGD	1.5901	1.6000	1.6081	1.6100	1.6143
JPY-SGD	1.2400	1.2451	1.2458	1.2500	1.2539
GBP-SGD	1.7500	1.7504	1.7562	1.7600	1.7710
AUD-SGD	1.0686	1.0800	1.0812	1.0869	1.0900
Gold	1246.58	1252.96	1290.80	1295.79	1300.00
Silver	16.50	16.70	17.00	17.14	17.30
Crude	46.72	47.50	47.54	47.60	50.43

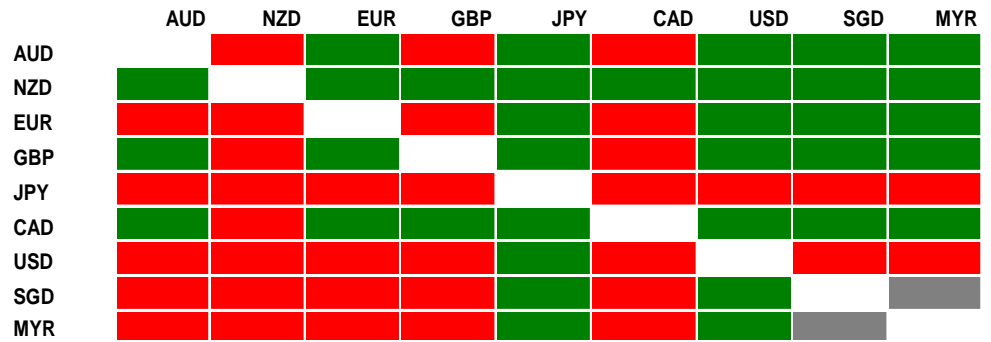
Source: OCBC Bank

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



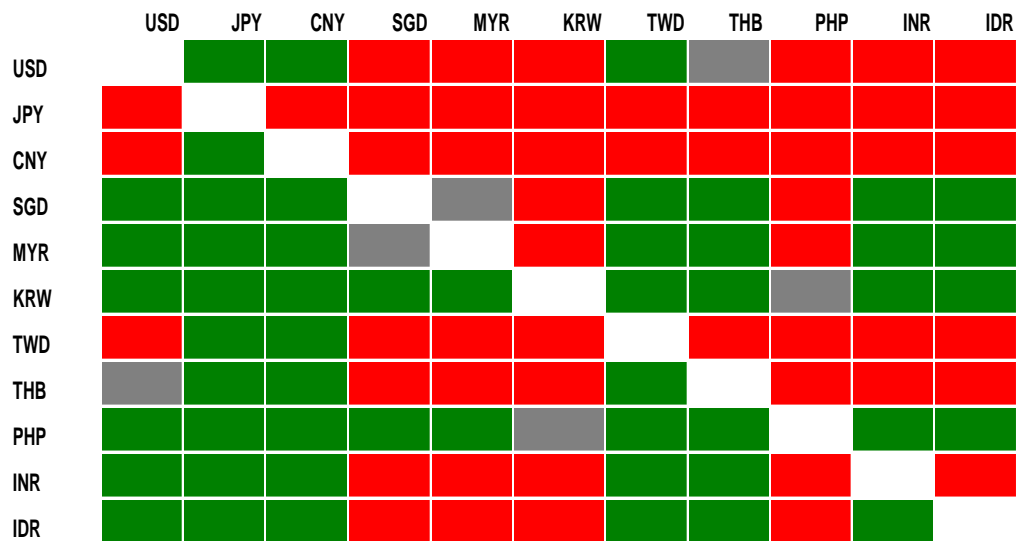
Source: Bloomberg

**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	01-Aug-17	S	USD-JPY	110.18	107.75	111.45	No surprises expected from Fed-speak after the last FOMC	
2	16-Aug-17	S	GBP-USD	1.2888	1.2605	1.3035	Doused hawkish BOE expectations, space for a USD capitulation	
<b>STRUCTURAL</b>								
3	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
4	12-Jul-17		Bullish 2M 1X1.5 EUR-USD Call Spread Spot ref: 1.1455; Strikes: 1.1492, 1.1724; Exp: 12/09/17; Cost: 0.46%			ECB transitioning to neutral, Fed wavering		
5	12-Jul-17		Bearish 2M 1X1.5 USD-CAD Put Spread Spot ref: 1.2664; Strikes: 1.2653, 1.2415; Exp: 15/09/17; Cost: 0.50%			Hawkish BOC being increasingly priced in		
6	20-Jul-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%			More positive than expected RBA minutes, supportive data, weak USD		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	17-Jul-17	20-Jul-17	B	GBP-USD	1.3077	1.2935	BOE rhetoric and vulnerable USD	-1.11
2	28-Jun-17	21-Jul-17	B	USD-JPY	112.31	111.05	Yield differential argument supportive of the USD-JPY	-1.04
3	13-Jul-17	03-Aug-17	B	AUD-USD	0.7708	0.7935	Vulnerable USD, improving risk appetite, supportive China data	+2.89
4	05-Jun-17	03-Aug-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.24%		Increasingly endemic USD weakness, +ve risk appetite	+0.01	
5	01-Aug-17	04-Aug-17	B	GBP-USD	1.3207	1.3060	Expected trace of hawkishness at BOE MPC	-1.14
6	23-May-17	08-Aug-17	S	USD-CAD	1.3494	1.2667	USD skepticism, sanguine risk appetite, supported crude	+6.40
7	18-Jul-17	14-Aug-17	S	USD-SGD	1.3671	1.3611	Vulnerable USD, implicit inflow for SGD	+0.40
8	04-Jul-17	16-Aug-17	B	EUR-USD	1.1346	1.1741	Draghi's change of stance in late June may further fuel the EUR	+3.14
							Jan-Aug*** 2017 Return	+7.78
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank



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