

Wednesday, February 22, 2017

### FX Themes/Strategy/Trading Ideas

- The greenback ended stronger across G10 on the back of a firmer UST curve (front-end underperformed) and hawkish comments from Fed's Mester and Harker ("I would not take March off the table..."). EUR and JPY led the way lower (on the crosses as well) although the AUD-USD managed to recoup a large portion of its intra-day losses amid positive investor sentiment and positive US/EZ equities. The **FXSI (FX Sentiment Index)** inched lower within Risk-On territory on Tuesday.
- Going ahead, the key focus today is expected to be on the FOMC minutes (1900 GMT), potentially imparting further directionality for the USD. Note however that Fed-speak from Powell at 1800 GMT precedes the minutes. The **DXY** has now popped above the 101.00 handle (albeit on EUR underperformance) and as noted elsewhere, the EUR and JPY would remain relatively more vulnerable at this juncture. Global reflation plays meanwhile may see the AUD continuing to outperform on the crosses.
- With USD (strength) risks breeding into the FOMC minutes tonight and sustained Fed speak for the rest of the week, we close our tactical short **USD-CAD** (spot ref: 1.3060) from 16 Feb at 1.3127 this morning for an implied -0.52% loss.
- Meanwhile, with the broad USD potentially garnering some further traction in the near term and EZ political risk premiums continuing to accumulate, we go tactical short **EUR-USD**. With a spot ref at 1.0548 on Wednesday, we target 1.0265 and place a stop at 1.0695.

### Asian FX

- Although the EM complex was mixed to weaker overnight (note however strength in the MXN and RUB), the **ACI (Asian Currency Index)** may continue to see further range bound behavior and roll with short term USD gyrations. Elsewhere, our structural model for the Index is also portending a mixed to supported tone at this juncture.
- **SGD NEER:** The **SGD NEER** is a touch firmer on the day at around -0.23% below its perceived parity (1.4157). NEER-implied USD-SGD thresholds are a touch firmer, reflecting a supported broad dollar tone. At current levels, the -0.50% threshold is estimated at 1.4228 and the basket may continue to trawl a -0.10% to -0.40% range pending further external influences. Elsewhere, volatility indicators continue to be becalmed. Technically, the 100-day MA (1.4172) may continue to cushion in the near term, while 1.4250

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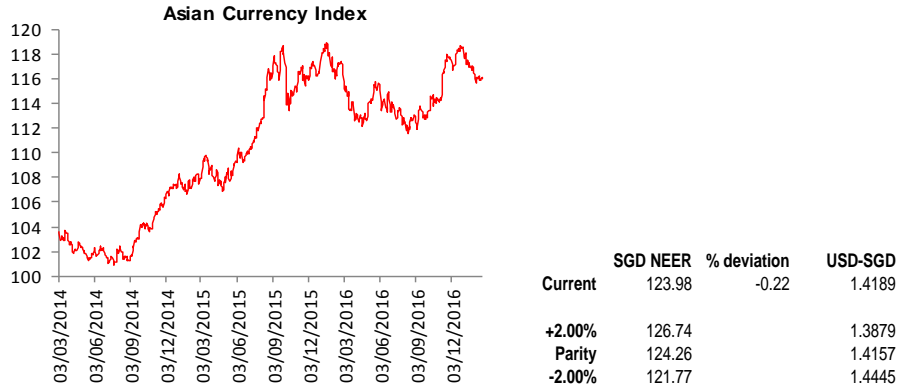
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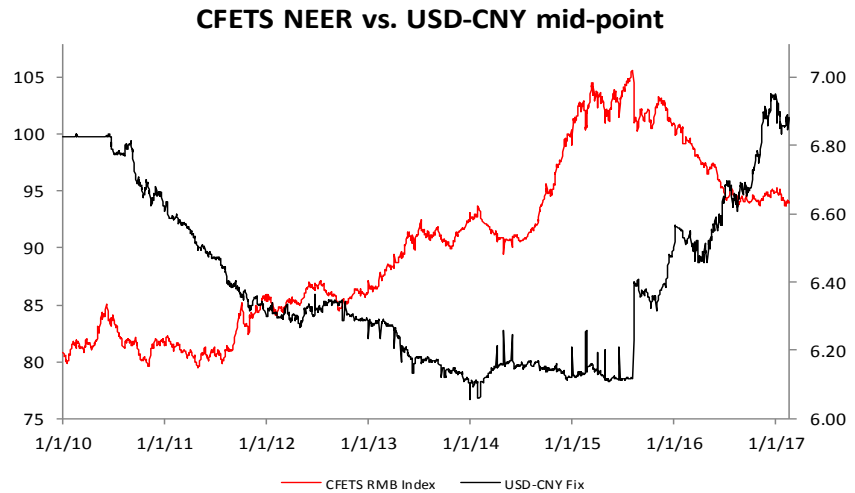
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should continue to cap.



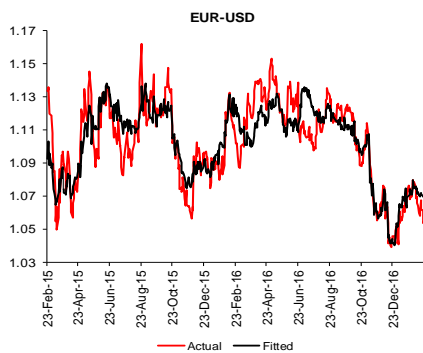
Source: OCBC Bank

- CFETS RMB Index:** Amidst the slight modification to the USD-CNY mid-point mechanism, the mid-point this morning rose (largely as expected) to 6.8830 from 6.8790 yesterday. This saw the **CFETS RMB Index** firming incrementally to 93.99 from 93.96 on Tuesday.



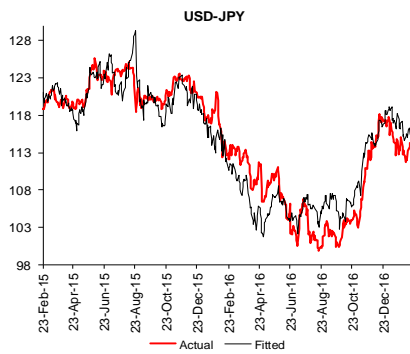
Source: OCBC Bank, Bloomberg

**G7**



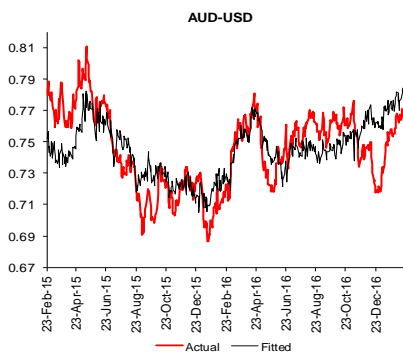
Source: OCBC Bank

- EUR-USD** Data points today include German Feb Ifo and EZ Jan CPI, although these may be eclipsed by political risk chatter. In our view, the EUR-USD looks decidedly bearish in the near term on accumulating Frexit risks/headlines (Le Pen gaining ground in polls) despite supportive flash PMIs on Tuesday. Short term implied valuations continue to bleed lower with interim supports expected into 1.0525 and 1.0500.



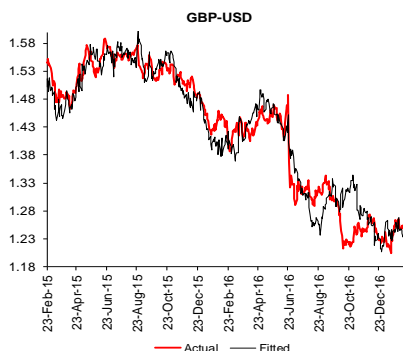
Source: OCBC Bank

- USD-JPY** USD-JPY may remain relatively more reactive to USD upticks with the BOJ's Kuroda still sounding explicitly dovish on Tuesday. Short term implied valuations meanwhile continue to look supported with 113.10-114.00 likely to cordon off the pair pending further headline risks today.



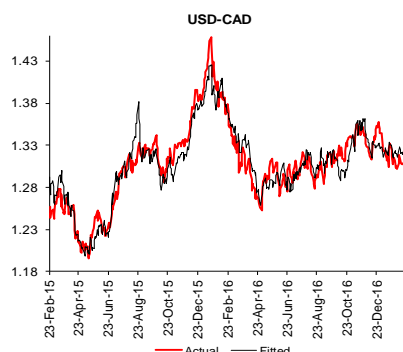
Source: OCBC Bank

- AUD-USD** The latest comments from RBA's Lowe were essentially neutral with respect to monetary policy while the 4Q wage price index was a non-mover this morning, coming in as expected. Short term implied valuations continue to portend a supported posture for the pair however, and another stab above 0.7700 cannot be discounted.



Source: OCBC Bank

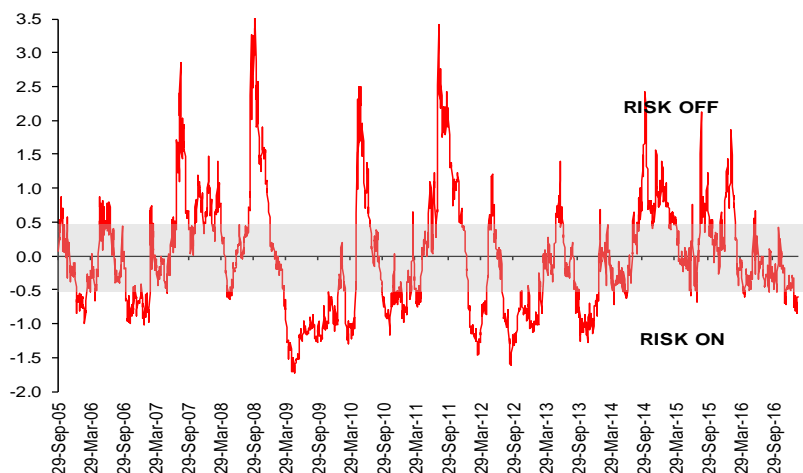
- GBP-USD** The GBP held its own against the USD after the A50 debate concluded uneventfully in the House of Lords. Further debates with regard to amendments are scheduled for next week. The BOE's Carney and Haldene were essentially were non-committal (as opposed to outright dovish) before lawmakers on Tuesday. Preference to fade upticks remains in force and a failure to sustain above 1.2500/30 risks a relapse back to the 55-day MA (1.2414).



Source: OCBC Bank

- USD-CAD** Short term implied valuations remain in stasis, torn between firmer crude prices and a resilient USD. If however the USD continues to gain traction into the end of the week, a move above the 200-day MA (1.3148) towards 1.3200 may be in store.

### 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	-0.093	0.279	0.810	0.788	-0.236	0.471	0.149	-0.243	-0.122	0.735	-0.967
CHF	0.937	0.029	0.440	0.745	0.672	-0.025	0.543	0.350	-0.357	-0.268	0.685	-0.919
MYR	0.827	-0.211	0.071	0.849	0.836	-0.248	0.191	0.140	0.117	0.035	0.645	-0.819
CNH	0.735	-0.022	0.439	0.544	0.659	-0.320	0.592	0.132	-0.281	0.149	1.000	-0.773
PHP	0.691	-0.030	0.230	0.730	0.718	-0.125	0.312	0.454	0.095	-0.094	0.504	-0.700
SGD	0.620	0.124	0.313	0.242	0.268	0.070	0.778	0.066	-0.501	-0.239	0.746	-0.542
JPY	0.471	0.665	0.291	0.261	0.206	0.252	1.000	0.313	-0.376	-0.523	0.592	-0.406
AUD	0.426	-0.355	-0.136	0.669	0.666	-0.287	-0.299	0.294	0.225	0.201	0.059	-0.495
CNY	0.279	0.226	1.000	0.186	0.208	-0.196	0.291	0.120	-0.441	0.069	0.439	-0.393
CAD	0.250	-0.457	-0.174	-0.150	-0.138	0.030	0.037	-0.310	-0.102	-0.007	0.168	-0.206
USGG10	-0.093	1.000	0.226	-0.023	-0.149	0.324	0.665	0.331	-0.098	-0.663	-0.022	0.136
IDR	-0.208	0.434	0.243	-0.216	-0.204	0.199	0.196	0.215	0.335	-0.213	-0.162	0.214
THB	-0.392	0.426	0.041	-0.655	-0.681	0.417	0.336	-0.214	-0.112	-0.392	-0.139	0.518
KRW	-0.424	0.280	0.042	-0.580	-0.619	0.657	0.152	-0.047	-0.048	-0.339	-0.257	0.502
INR	-0.540	0.354	-0.218	-0.731	-0.785	0.342	0.132	-0.286	0.077	-0.381	-0.374	0.673
CCN12M	-0.547	0.586	0.006	-0.566	-0.600	0.430	0.310	0.210	0.075	-0.287	-0.196	0.603
TWD	-0.587	0.128	-0.052	-0.838	-0.868	0.707	0.004	-0.234	-0.348	-0.356	-0.423	0.655
GBP	-0.607	0.338	0.275	-0.571	-0.570	0.480	0.111	-0.079	-0.095	-0.101	-0.204	0.556
NZD	-0.870	0.202	-0.068	-0.732	-0.739	0.035	-0.404	-0.401	0.194	0.033	-0.720	0.869
EUR	-0.967	0.136	-0.393	-0.856	-0.862	0.357	-0.406	-0.311	0.185	-0.025	-0.773	1.000

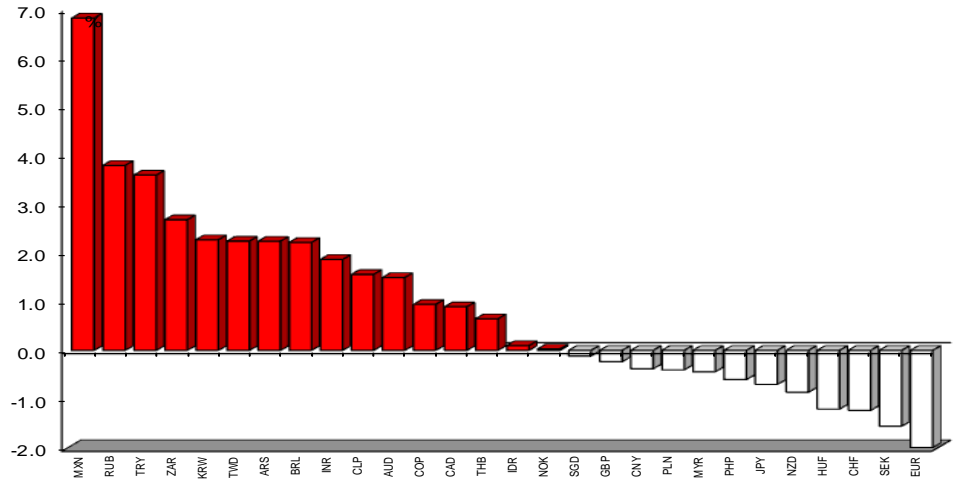
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0516	1.0521	1.0550	1.0591	1.0600
GBP-USD	1.2391	1.2500	1.2501	1.2600	1.2614
AUD-USD	0.7533	0.7600	0.7694	0.7700	0.7732
NZD-USD	0.7120	0.7128	0.7167	0.7200	0.7338
USD-CAD	1.3004	1.3100	1.3119	1.3146	1.3178
USD-JPY	111.63	113.00	113.49	114.00	114.30
USD-SGD	1.4054	1.4100	1.4189	1.4200	1.4283
EUR-SGD	1.4940	1.4963	1.4969	1.5000	1.5126
JPY-SGD	1.2431	1.2500	1.2503	1.2600	1.2628
GBP-SGD	1.7698	1.7700	1.7738	1.7800	1.7917
AUD-SGD	1.0683	1.0900	1.0918	1.0960	1.0967
Gold	1189.95	1200.00	1236.10	1243.90	1255.53
Silver	17.00	18.00	18.01	18.02	18.10
Crude	53.72	54.40	54.43	54.50	54.62

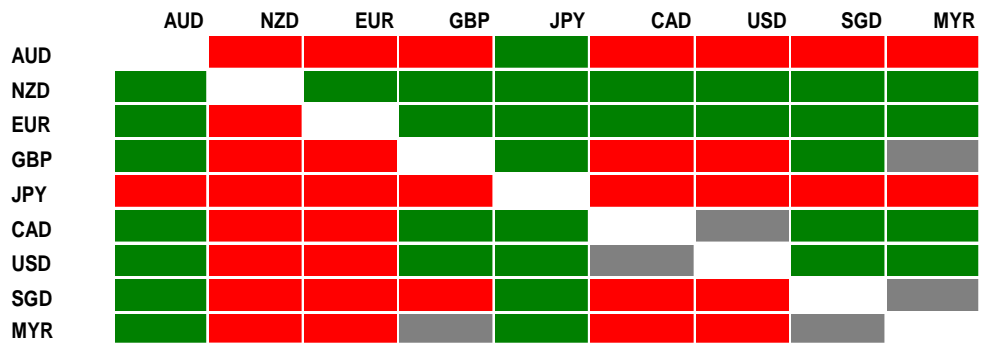
Source: OCBC Bank

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



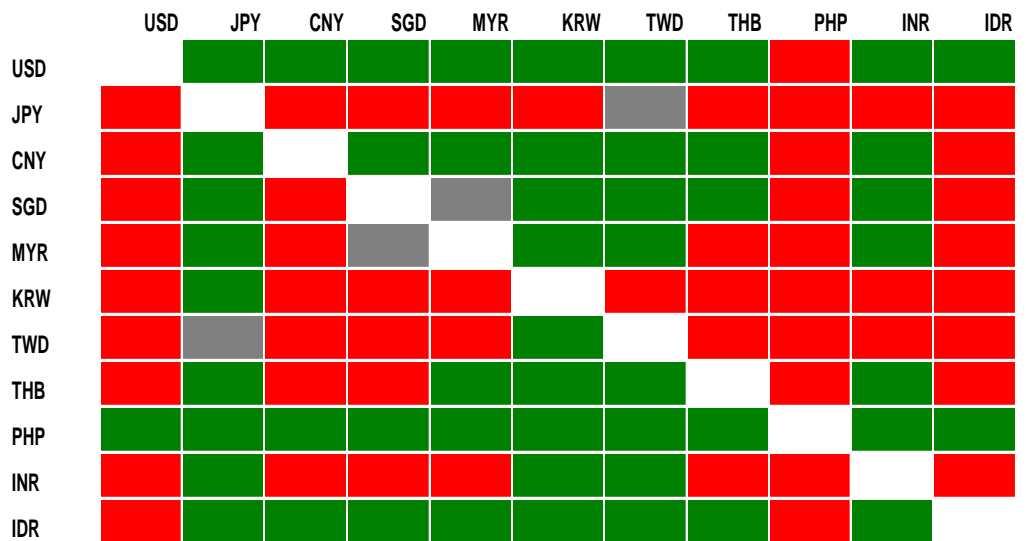
Source: Bloomberg

**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	12-Jan-17	S	USD-JPY	114.63	110.50 116.75	Downward consolidation post-Trump press conference		
2	12-Jan-17	B	AUD-USD	0.7463	0.7880 0.7560	Reflation may dominate as the Trump trade pauses		
3	20-Jan-17	S	USD-SGD	1.4240	1.4005 1.4360	Potential for Trump's inauguration to disappoint USD bulls		
4	25-Jan-17	B	GBP-USD	1.2528	1.2910 1.2335	Subsidence of acute A50 concerns in the short term		
5	22-Feb-17	S	EUR-USD	1.0548	1.0265 1.0695	Potential near term USD strength, brewing EZ political risks		
<b>STRUCTURAL</b>								
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		
9	14-Feb-17	Bearish 2M USD-CAD Put Spread Spot ref: 1.3055; Strikes: 1.3049, 1.2500 Cost: 1.19%			Underlying growth theme in spite of the Trump/FOMC trade			
<b>RECENTLY CLOSED</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	27-Dec-16	23-Jan-17	CLS	GBP-USD	1.2276	1.2386	A50 risks, UK current account deficits, broad USD strength	-0.77
2	09-Jan-17	06-Feb-17	S	USD-CAD	1.3264	1.3135	Supportive crude and labor market numbers	0.92
3	18-Jan-17	21-Feb-17	B	EUR-USD	1.0688	1.0588	Dollar hiccup, hint of inflation in EZ	-1.11
4	16-Feb-17	22-Feb-17	S	USD-CAD	1.3060	1.3127	Global deflation, supportive domestic data, USD hesitation	-0.52
* realized							<b>Jan 2017 Return -6.78</b> <b>2016 Return +6.91</b>	

Source: OCBC Bank

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