

Thursday, June 22, 2017

FX Themes/Strategy/Trading Ideas

- Despite better than expected May existing home sales numbers, the majors went their separate ways as USD positivity saw a near term saturation point and investors began to be distracted elsewhere on Wednesday, with the EUR–USD rising back above 1.1150 by late NY.
- Meanwhile, surprisingly hawkish comments (expecting a rate hike this year) from the BOE's Haldene boosted the GBP-USD briefly above 1.2700. On other fronts, with crude slumping below 43.00 and EZ/US equities shaky, the AUD-USD dripped lower, while the USD-CAD floated above 1.3300. Early Thursday in Asia, the NZD-USD jumped after the **RBNZ** kept its benchmark rate unchanged as expected at 1.75% but remained largely nonchalant about the kiwi's strength.
- Expect potential for Fed speak today from Powell (1400 GMT) while the BOE's Forbes is scheduled for 1800 GMT. US data points include weekly initial claims and the June Kansas Fed. In Asia, the BC and BSP (both at 0800 GMT) are expected to stand pat on their policy parameters.
- Overall, markets may remain in a slight limbo for today within with the buck off recent highs for now. Crude, metals and the broader commodity complex may continue to bear watching, especially for potential infection of investor sentiment and the attendant negative impacts on EM/Asian FX.

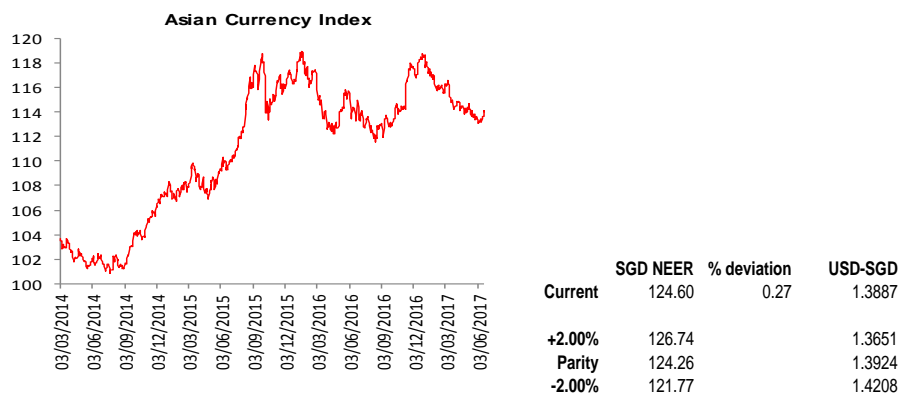
Asian FX

- EM FX put in a mixed performance against the greenback overnight and while USD-Asia may be slightly reactive to a softer USD tone on Thursday, negativity from the commodity complex may put a floor on the regional pairs if investor sentiment continues to waver. However, if contagion from softer crude does not translate negatively to Asian equity space, the regional pairs may in fact be weighed further.
- On the net portfolio inflow front, we continue to see moderation in net inflow momentum for KRW, INR, IDR, while the PHP and THB may remain relatively more underpinned on this front. Overall, the **ACI (Asian Currency Index)** may be steady to top heavy barring a risk appetite meltdown. Note however lingering background investor appetite risk with the **FXSI (FX Sentiment Index)** now in **Risk-Neutral** territory compared to being in Risk-On territory at the onset of the week.
- **SGD NEER:** The SGD NEER is slightly firmer on the day at around +0.30%

Treasury Research &
Strategy

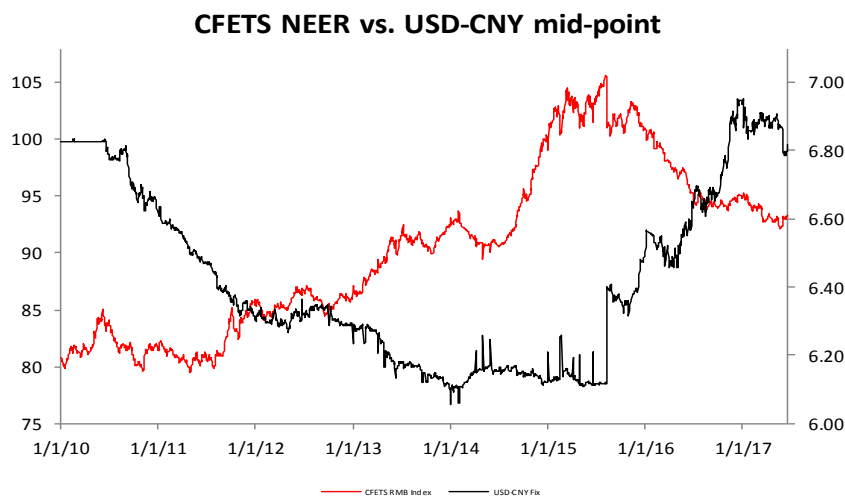
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above its perceived parity (1.3924) with NEER-implied USD-SGD thresholds softer on the day following overnight broad dollar moves. At current levels, the NEER is expected to continue to range trade between parity and +0.50% (1.3855), with the latter threshold expected to be a near term floor for the USD-SGD. With USD positivity not wholly negated just yet, investors may remain buyers into dips in the near term. On the topside for the pair, initial resistance is expected towards the 55-day MA (1.3925).



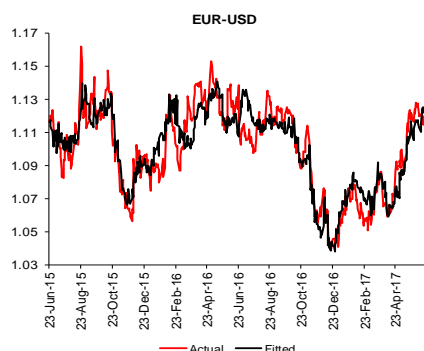
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point inched slightly higher today to 6.8197 from 6.8193 yesterday, pushing the CFETS RMB Index slightly lower to 93.30 from 93.31 on Wednesday.



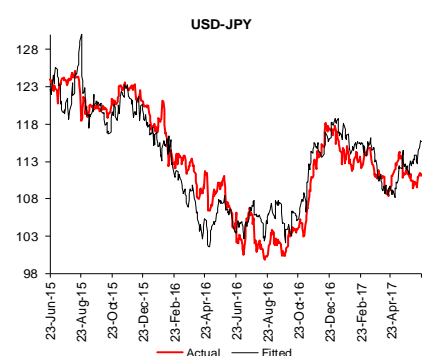
Source: OCBC Bank, Bloomberg

G7



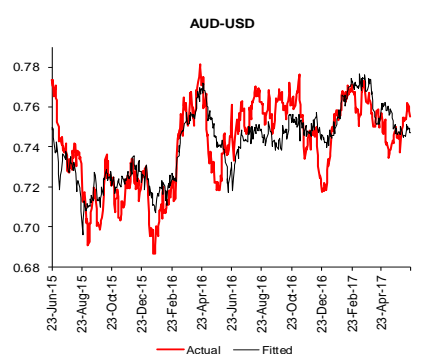
Source: OCBC Bank

- **EUR-USD** Short term implied valuations for the EUR-USD remain aloft and the pair may continue to remain slightly supported on dips if USD positivity continues to consolidate. Expect range bound, if slightly top heavy, behavior in the interim within 1.1100-1.1200.



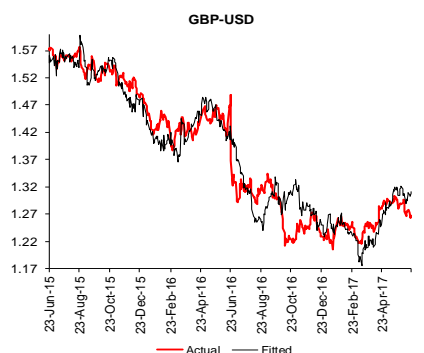
Source: OCBC Bank

- **USD-JPY** Apart from risk appetite considerations, Fed/US dynamics may continue to be primary determinants of near term directionality for the USD-JPY. Short term implied valuations continue to be buoyant in the interim and risk reward may continue to be tilted to the upside on a multi-session basis. In the near term, any ability to bounce off the 200-day MA (110.87) may see a test back towards the 112.00 neighborhood.



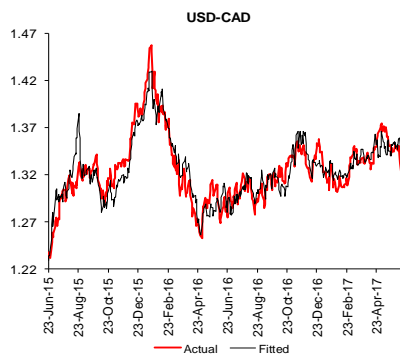
Source: OCBC Bank

- **AUD-USD** The likes of the AUD may continue to be threatened by a weak crude/commodity complex with short term implied valuations edging lower as a result. Expect near term risk to settle lower towards the 200-day MA (0.7529) and then 0.7500 as the pair retracts away from the upper reaches of its implied confidence intervals.



Source: OCBC Bank

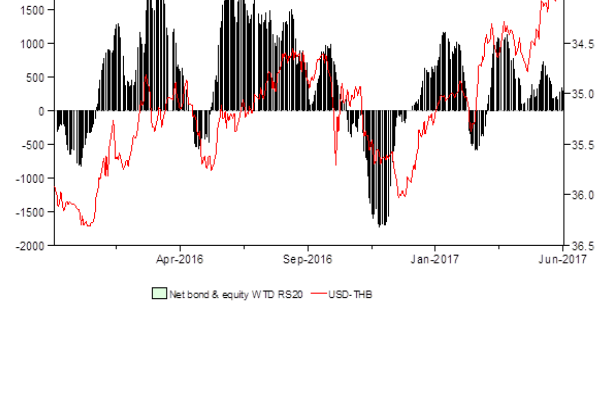
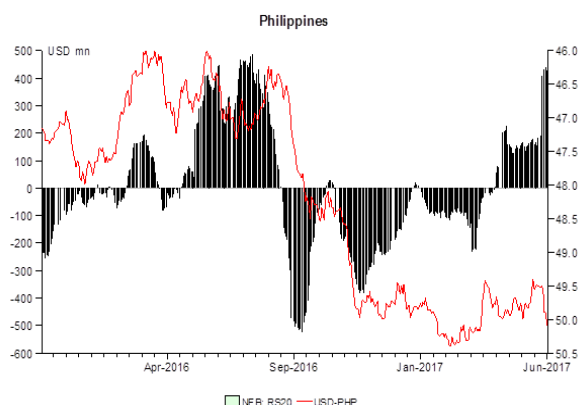
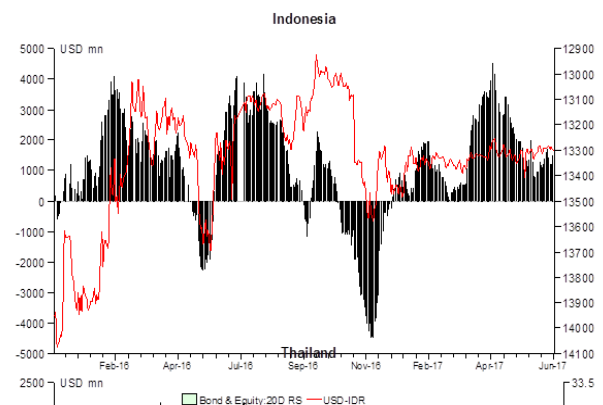
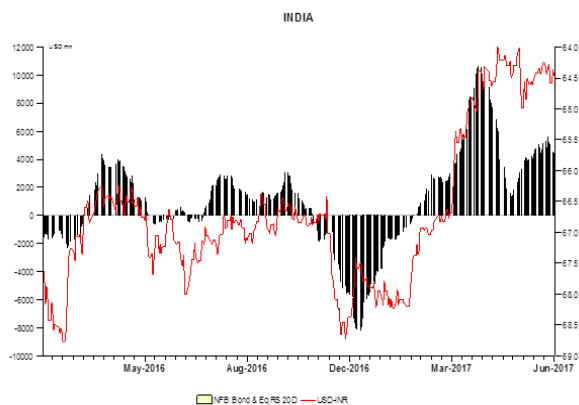
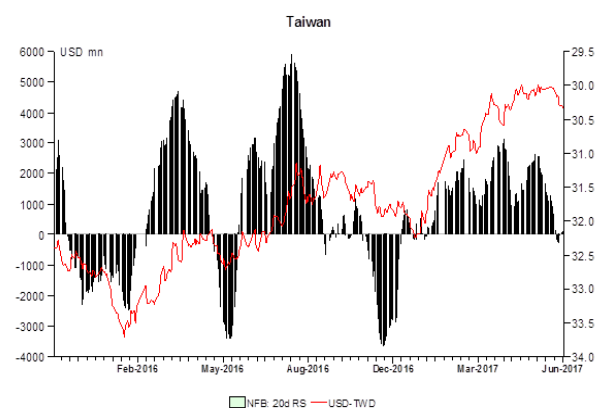
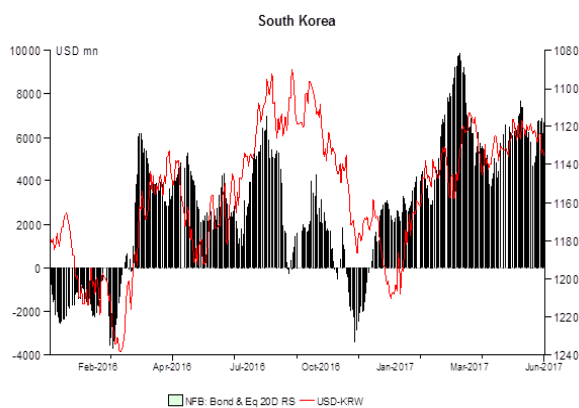
- **GBP-USD** In addition to prevailing Brexit uncertainty, conflicting comments from the BOE's Haldene and Carney in recent sessions may keep markets guessing in the near term. Meanwhile, short term implied valuations remain stable and afloat at this juncture, potentially putting the brakes on the pair's recent descent for now. Expect investors to sell rallies within 1.2600-1.2740.



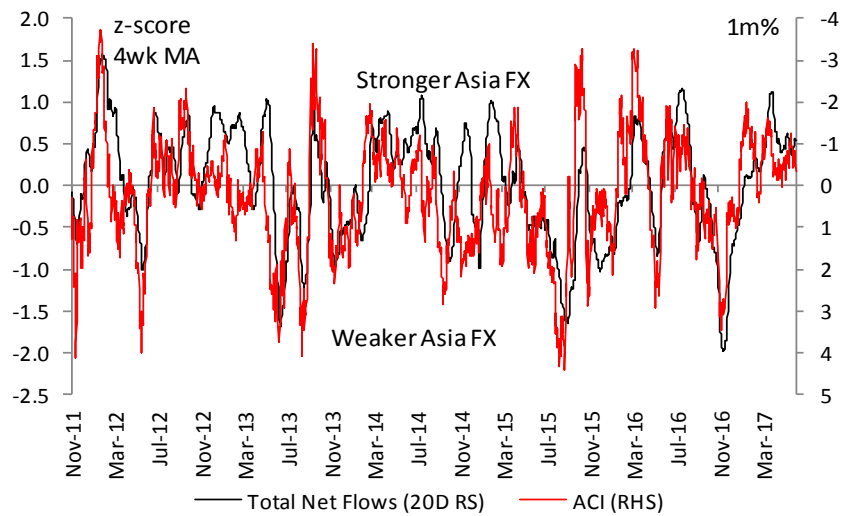
- USD-CAD** With crude's downward trajectory gaining momentum, the CAD may remain distracted and suspend prior hawkishness from the BOC. Short term implied valuations have also bottomed out in the interim, and any break above the 200-day MA (1.3341) may invite a test towards 1.3400.

Source: OCBC Bank

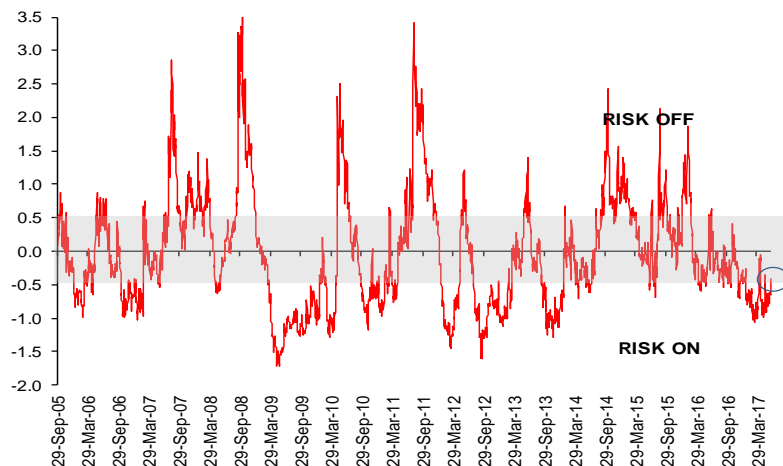
USD-Asia VS. Net Capital Flows



ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.247	0.366	-0.009	0.024	-0.277	0.726	-0.243	0.247	-0.413	0.533	-0.946
CHF	0.860	0.429	0.566	-0.288	-0.275	0.015	0.754	-0.008	0.231	-0.191	0.691	-0.845
PHP	0.751	0.166	0.508	-0.181	-0.190	-0.207	0.738	-0.128	0.210	-0.252	0.549	-0.603
JPY	0.726	0.582	0.769	-0.411	-0.406	0.226	1.000	0.191	-0.153	0.115	0.692	-0.567
SGD	0.719	0.483	0.550	-0.287	-0.255	0.024	0.801	-0.072	0.248	-0.036	0.583	-0.612
TWD	0.650	-0.424	-0.103	0.472	0.414	-0.774	0.258	-0.710	0.324	-0.848	0.214	-0.699
CNH	0.533	0.588	0.866	-0.551	-0.436	0.331	0.692	0.271	0.172	0.056	1.000	-0.450
KRW	0.526	-0.432	-0.136	0.422	0.384	-0.714	0.122	-0.641	0.358	-0.737	0.152	-0.532
CCN12M	0.487	0.317	0.727	-0.362	-0.270	0.108	0.573	0.064	0.286	-0.214	0.892	-0.444
INR	0.379	0.580	0.812	-0.696	-0.753	0.497	0.692	0.580	0.044	0.368	0.679	-0.227
CNY	0.366	0.773	1.000	-0.807	-0.695	0.640	0.769	0.666	-0.098	0.434	0.866	-0.170
MYR	0.324	0.501	0.775	-0.626	-0.592	0.419	0.718	0.447	0.117	0.286	0.621	-0.132
USGG10	0.247	1.000	0.773	-0.753	-0.698	0.784	0.582	0.765	-0.104	0.600	0.588	-0.127
AUD	0.176	-0.562	-0.323	0.520	0.546	-0.706	-0.244	-0.722	0.497	-0.810	0.107	-0.364
IDR	0.037	0.334	0.328	-0.476	-0.499	0.292	0.270	0.335	-0.129	0.499	0.117	0.085
THB	0.028	0.768	0.843	-0.857	-0.802	0.825	0.488	0.787	-0.075	0.677	0.633	0.152
NZD	-0.011	-0.835	-0.776	0.849	0.824	-0.898	-0.497	-0.907	0.325	-0.840	-0.388	-0.208
CAD	-0.381	0.468	0.270	-0.546	-0.450	0.690	0.028	0.655	-0.380	0.871	-0.092	0.529
GBP	-0.540	0.432	0.413	-0.588	-0.565	0.763	0.005	0.764	-0.484	0.849	0.080	0.630
EUR	-0.946	-0.127	-0.170	-0.132	-0.144	0.404	-0.567	0.435	-0.365	0.548	-0.450	1.000

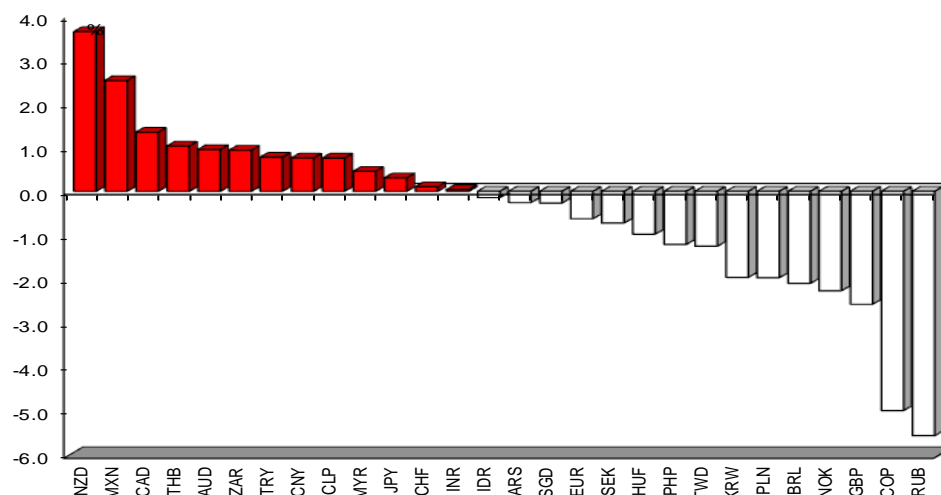
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1119	1.1168	1.1200	1.1283
GBP-USD	1.2600	1.2601	1.2666	1.2700	1.2846
AUD-USD	0.7500	0.7525	0.7548	0.7600	0.7636
NZD-USD	0.7089	0.7200	0.7248	0.7300	0.7307
USD-CAD	1.3166	1.3300	1.3323	1.3337	1.3400
USD-JPY	110.00	110.83	110.98	111.00	111.13
USD-SGD	1.3755	1.3800	1.3886	1.3900	1.3904
EUR-SGD	1.5398	1.5500	1.5508	1.5579	1.5600
JPY-SGD	1.2396	1.2500	1.2513	1.2515	1.2600
GBP-SGD	1.7486	1.7500	1.7588	1.7600	1.7609
AUD-SGD	1.0400	1.0409	1.0481	1.0500	1.0561
Gold	1236.29	1243.01	1251.00	1259.70	1293.86
Silver	16.25	16.50	16.60	16.60	17.12
Crude	42.05	42.60	42.63	42.70	48.63

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									
NZD									
EUR									
GBP									
JPY									
CAD									
USD									
SGD									
MYR									

Source: OCBC Bank

Asia FX Heat Map

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

Source: OCBC Bank

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	23-May-17	S	USD-CAD	1.3494	1.3045	1.3380	USD skepticism, sanguine risk appetite, supported crude	
2	01-Jun-17	S	USD-JPY	111.00	108.60	112.25	Weak broad dollar disposition	
3	08-Jun-17	B	AUD-USD	0.7550	0.7695	0.7475	Supportive Aussie GDP and China trade numbers, steady risk	
4	12-Jun-17	S	GBP-USD	1.2760	1.2455	1.2915	UK polity uncertainty/limbo	
	STRUCTURAL							
5	24-Apr-17		Bullish 2M 1X2 EUR-USD Call Spread Spot ref: 1.0863; Strikes: 1.0894, 1.1188; Exp: 22/06/17; Cost: 0.62%				Deflating French risks, USD skepticism	
6	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positoning overhang, hawkish	
7	16-May-17	S	AUD-USD	0.7407	0.6890	0.7670	Global reflation plays to continue to wobble?	
8	05-Jun-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.0.24%				Increasingly endemic USD weakness, +ve risk appetite	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	05-Apr-17	23-May-17	S	AUD-USD	0.7580	0.7490	Fragile risk appetite, slightly apprehensive RBA	+1.14
2	18-Apr-17	29-May-17	B	GBP-USD	1.2585	1.2832	Snap UK elections, soft dollar, -ve EUR risk	+1.79
3	17-May-17	14-Jun-17	B	EUR-USD	1.1120	1.1209	Disappointing US data feed, reversal of political risk premiums	+0.63
4	24-May-17	15-Jun-17	S	USD-SGD	1.3899	1.3828	Supportive Asian portfolio inflow environment, soggy USD	+0.49
	* realized **of notional							
	Jan-May 2017 Return							-17.04
	2016 Return							+6.91

Source: OCBC Bank

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