

Friday, June 23, 2017

**FX Themes/Strategy/Trading Ideas**

- The USD-specific narrative remained in the background on Thursday amidst softer UST yields (continued curve flattening) and despite a slightly better June Kansas Fed index (weekly claims were a non-mover). A slight rebound in crude (which ultimately still settled below 43.00) and better than expected April retail sales figures pulled the USD-CAD back below 1.3250. Elsewhere, the greenback eked out minor gains against the EUR and the AUD with the JPY ending essentially flat on the day.
- Meanwhile, central bank dynamics also detracted from dollar strength, with a more confident than expected RBNZ late Thursday propped the NZD-USD higher, while the NOK also gained as the Norges switched to a neutral (from dovish) bias at its policy meeting. In addition, the MXN also jumped Banco de Mexico raised its benchmark interest rate by 25bps to 7.00%. **As mentioned previously, continually shifting central bank postures (away from an accommodative stance) are expected to increasingly detract away from the strong dollar narrative.**
- Today, the calendar brings global June PMIs and in the US, May new home sales. The Fed may however be brought back into focus with appearances by Bullard (1515 GMT), Mester (1640 GMT), and Powell (1815 GMT).
- On Thursday, with the broad dollar looking for new impetus, we closed out our 01 June 17 idea to be tactically short **USD-JPY** (spot ref: 111.00) at 111.16 for an implied -0.25% loss.
- Also on Thursday, our 24 April 17 structural idea for a bullish 2M 1X2 **EUR-USD** call spread (spot ref: 1.0863; strikes: 1.0894, 1.1188; premium: +0.63%) expired with an implied net profit of approximately +1.92% of notional.

**Asian FX**

- Asian currency pairs may be slightly steadier into the end of the week with net portfolio inflows remaining supportive of the KRW, PHP and THB, while inflow momentum continues to moderate for the INR and IDR, with the TWD still bereft of intrinsic support on this front. On the central bank front, the CBC and the BSP remained static with respect to their respective policy parameters as expected on Thursday.
- In the interim, expect the **ACI (Asian Currency Index)** to be slightly moribund to supported on dips after firming mid-week. On the risk appetite

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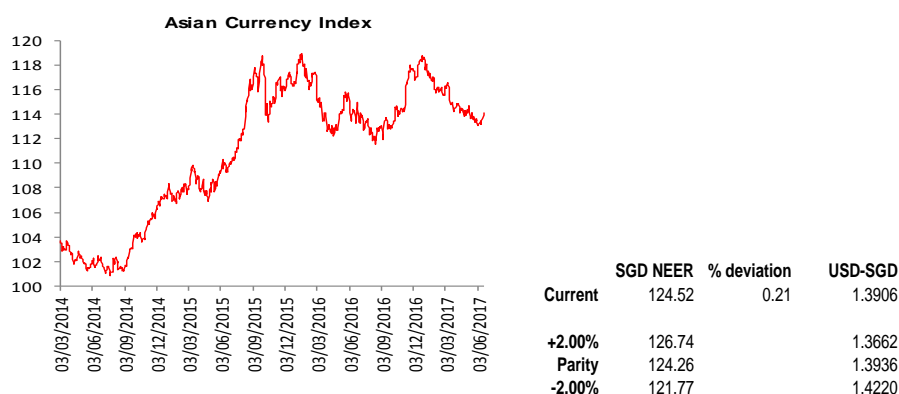
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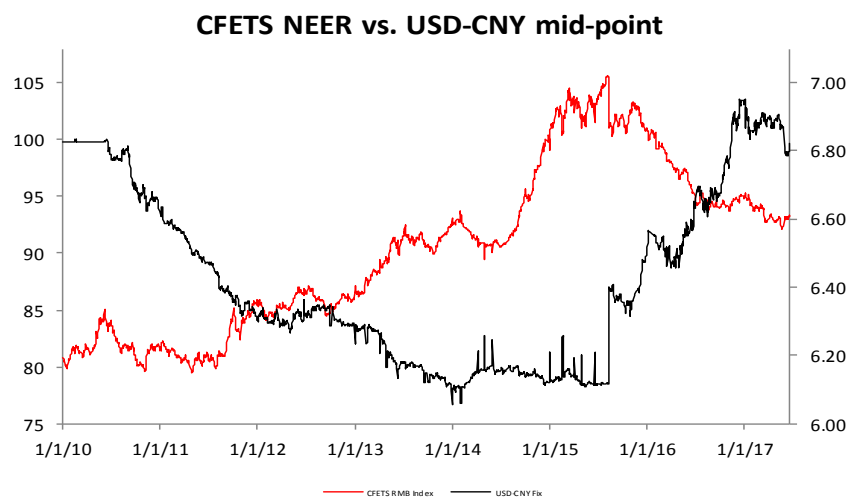
front, we see little undue negativity at this juncture with the **FXSI (FX Sentiment Index)** softening slightly within **Risk-Neutral** territory.

- **SGD NEER:** This morning, the SGD NEER is softer on the day at around +0.21% above its perceived parity (1.3936) amidst faint USD resilience. NEER-implied USD-SGD thresholds are firmer on the day with the NEER still expected to be gravitate partially towards its parity. At current levels, the +0.50% threshold is estimated at 1.3867. Technically, the 55-day MA (1.3923) ahead of 1.3950 may continue to be eyed in the current environment.



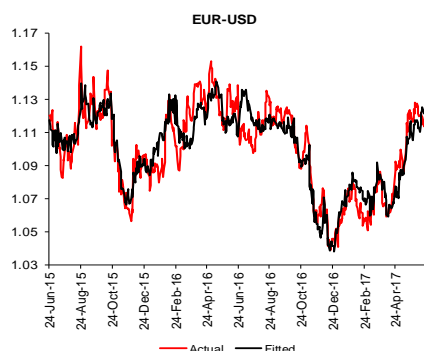
Source: OCBC Bank

- **CFETS RMB Index:** The USD-CNY mid-point rose (as largely expected) to 6.8238 from 6.8197 yesterday. This brought the CFETS RMB Index lower to 93.22 from 93.30 yesterday.



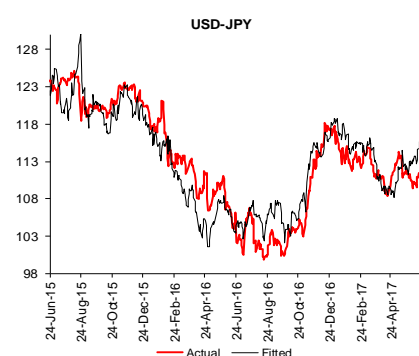
Source: OCBC Bank, Bloomberg

## G7



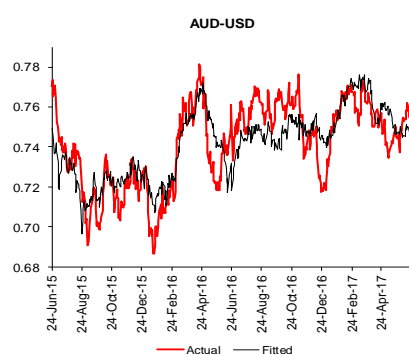
Source: OCBC Bank

- **EUR-USD** The EUR-USD may have to wait till next week for further inspiration with a scheduled appearance by Draghi and EZ CPI readings. Short term implied valuations for the EUR-USD are still static (but aloft) despite top heavy technical. As noted yesterday, expect range bound, if slightly top heavy, behavior in the interim within 1.1100-1.1200.



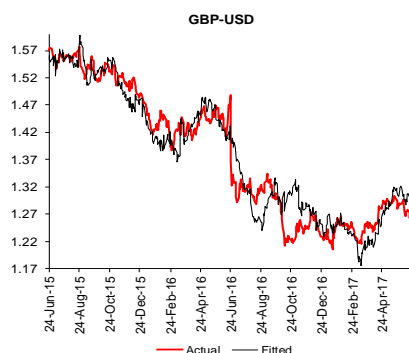
Source: OCBC Bank

- **USD-JPY** Fed-speak on Thursday proved uneventful while the Republican's unveiling of their healthcare bill failed to dislodge markets. Short term implied valuations meanwhile are expected to end the week on a firmer ledge and investors are expected to collect into any dips towards the 111.00 neighborhood.



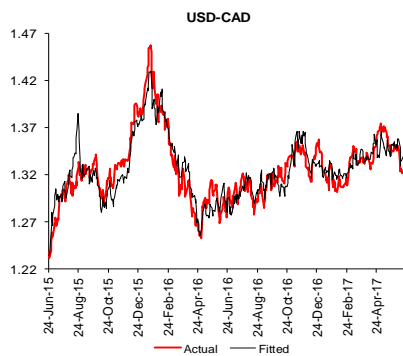
Source: OCBC Bank

- **AUD-USD** Guided by slipping short term implied valuations, the AUD-USD's consolidation lower has been almost eerily systematic so far this week (plausibly on the back of market re-positioning). In the interim, the 200-day MA (0.7529) may be expected to cushion intra-day ahead of 0.7500. Fade upticks towards 0.7580 for now.



Source: OCBC Bank

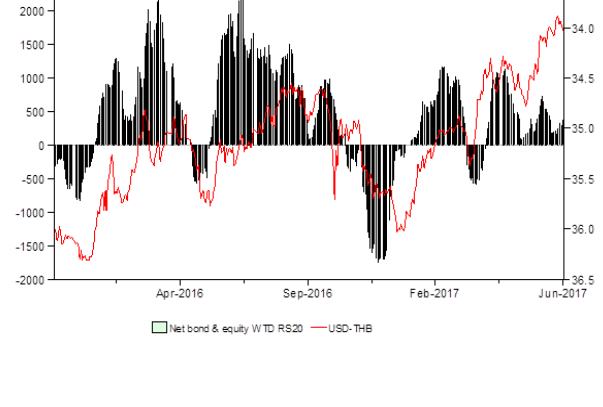
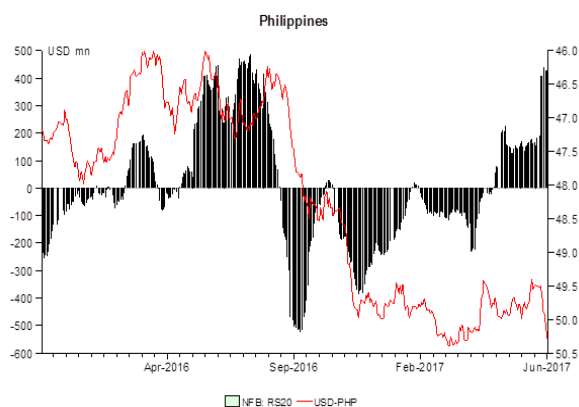
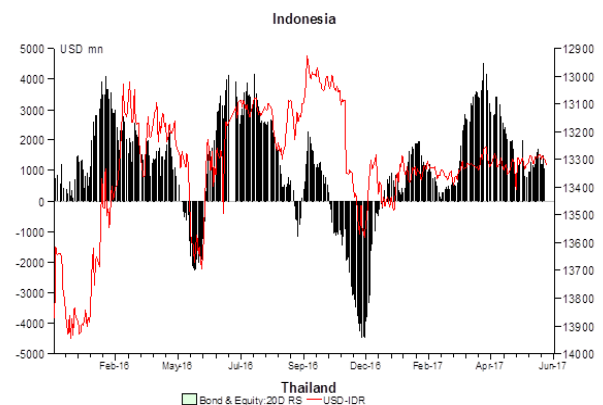
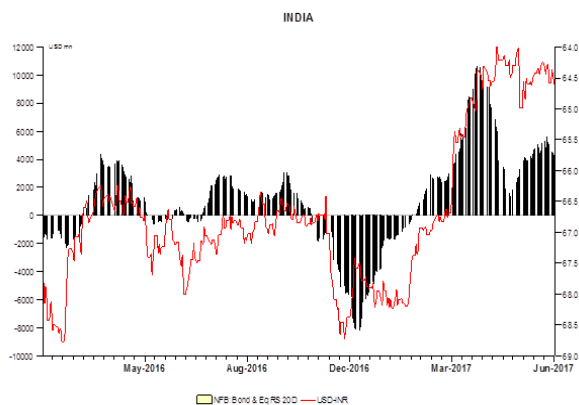
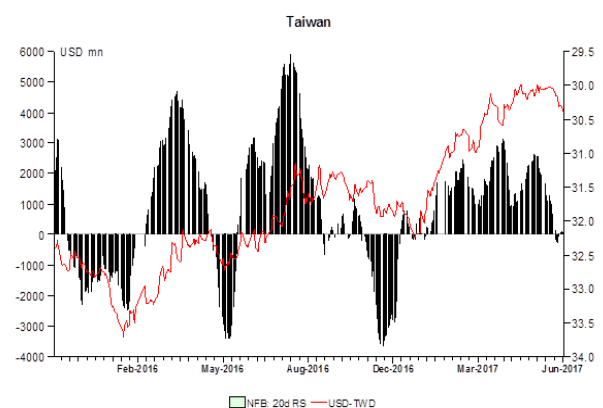
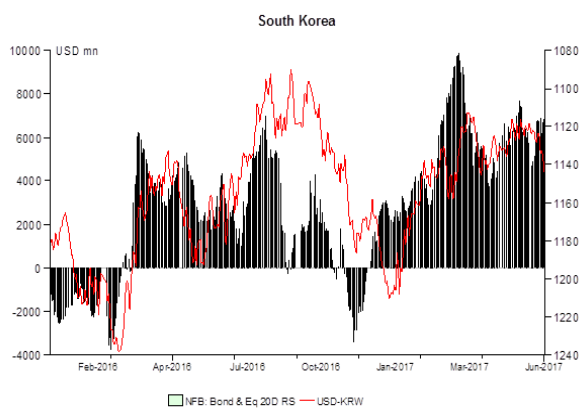
- **GBP-USD** PM May's appearance at the EU Summit did not prove disruptive (going ahead, we still expect the EU's demeanor to be less than charitable) while slightly hawkish comments from the BOE's Forbes also failed to lift the pound perceptibly. The one year anniversary of the Brexit referendum today sees short term implied valuations for the pair slightly top heavy. Ahead of Carney's appearance next week, the pair may stall into 1.2750, with risks instead tilted towards the 100-day MA (1.2635).



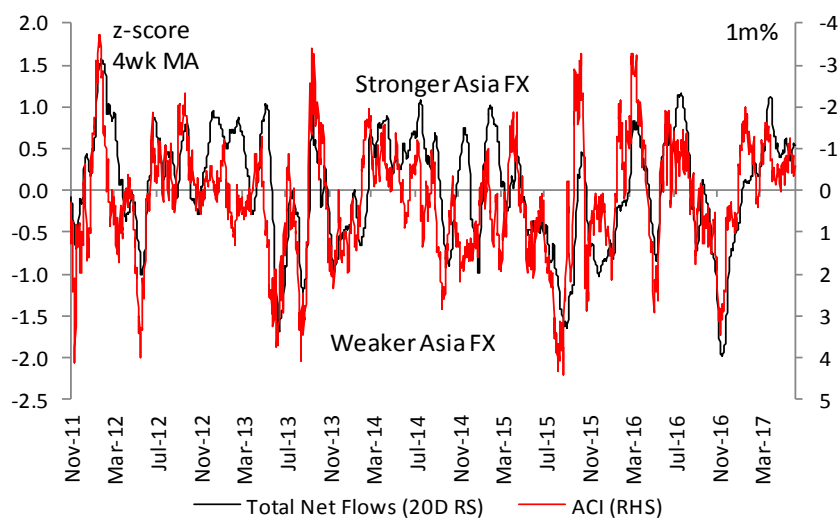
Source: OCBC Bank

- USD-CAD** Look to May CPI numbers tonight for further domestic cues with short term implied valuations for the pair still underpinned at this juncture. The BOC's Poloz is to attend an ECB Forum in the first three days of next week and investors may remain sensitive to headline risks. Expect range bound (we think top heavy) behavior within 1.3165 and the 200-day MA (1.3341) in the interim.

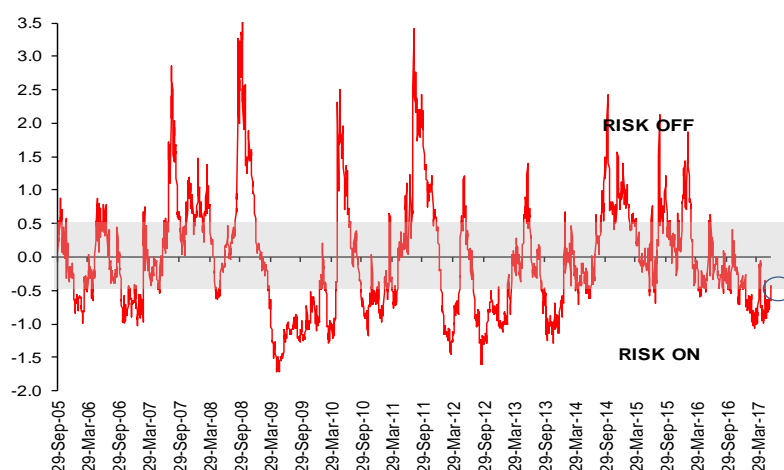
### USD-Asia VS. Net Capital Flows



### 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	1.000	0.149	0.474	-0.045	0.054	-0.346	0.772	-0.346	0.290	-0.447	0.670	-0.952
CHF	0.850	0.372	0.563	-0.245	-0.230	-0.069	0.743	-0.058	0.204	-0.227	0.696	-0.846
SGD	0.784	0.239	0.546	-0.198	-0.109	-0.191	0.789	-0.218	0.221	-0.163	0.612	-0.689
PHP	0.781	-0.017	0.508	-0.085	0.020	-0.441	0.717	-0.327	0.143	-0.397	0.576	-0.659
JPY	0.772	0.454	0.788	-0.361	-0.320	0.083	1.000	0.098	-0.196	0.033	0.707	-0.621
TWD	0.685	-0.404	0.043	0.379	0.389	-0.784	0.342	-0.704	0.437	-0.810	0.380	-0.712
CNH	0.670	0.413	0.837	-0.414	-0.279	0.093	0.707	0.096	0.081	-0.088	1.000	-0.595
KRW	0.633	-0.407	0.064	0.352	0.394	-0.751	0.331	-0.709	0.394	-0.751	0.410	-0.640
CCN12M	0.606	0.165	0.673	-0.189	-0.107	-0.116	0.570	-0.079	0.205	-0.363	0.868	-0.565
MYR	0.518	0.257	0.721	-0.471	-0.414	0.142	0.770	0.158	-0.133	0.145	0.568	-0.345
CNY	0.474	0.694	1.000	-0.738	-0.587	0.453	0.788	0.540	-0.240	0.327	0.837	-0.286
INR	0.424	0.510	0.847	-0.708	-0.686	0.367	0.695	0.479	0.024	0.287	0.707	-0.284
AUD	0.202	-0.568	-0.284	0.533	0.549	-0.685	-0.215	-0.712	0.555	-0.801	0.180	-0.363
USGG10	0.149	1.000	0.694	-0.725	-0.688	0.768	0.454	0.769	-0.205	0.604	0.413	-0.043
THB	0.114	0.784	0.757	-0.790	-0.720	0.707	0.465	0.728	-0.170	0.619	0.505	0.027
IDR	0.094	0.105	0.152	-0.321	-0.336	0.025	0.160	0.105	-0.011	0.272	0.023	0.009
NZD	0.073	-0.839	-0.670	0.811	0.813	-0.879	-0.412	-0.911	0.477	-0.850	-0.206	-0.237
CAD	-0.459	0.509	0.162	-0.528	-0.463	0.715	-0.073	0.700	-0.449	0.878	-0.255	0.577
GBP	-0.596	0.450	0.273	-0.525	-0.547	0.753	-0.082	0.757	-0.610	0.856	-0.103	0.654
EUR	-0.952	-0.043	-0.286	-0.088	-0.157	0.448	-0.621	0.475	-0.422	0.568	-0.595	1.000

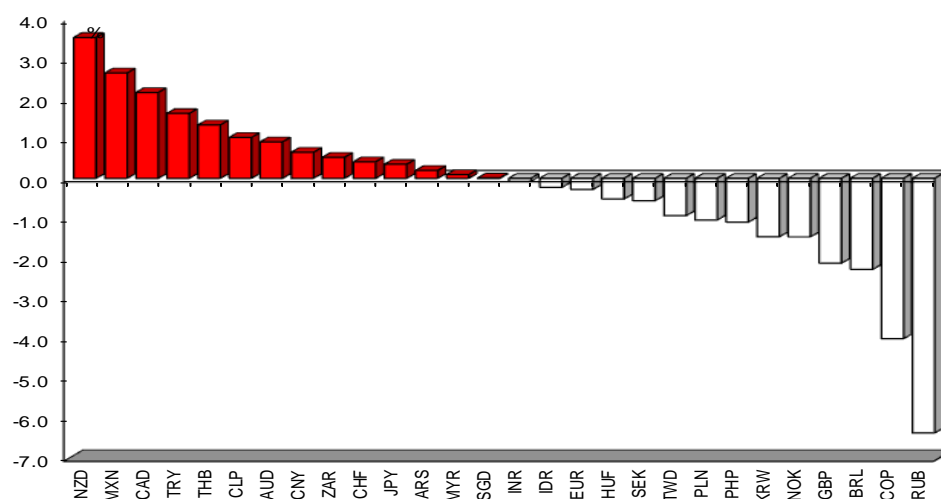
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1113	1.1150	1.1200	1.1285
GBP-USD	1.2592	1.2600	1.2684	1.2700	1.2850
AUD-USD	0.7500	0.7525	0.7544	0.7600	0.7636
NZD-USD	0.7089	0.7200	0.7253	0.7300	0.7311
USD-CAD	1.3165	1.3200	1.3229	1.3300	1.3337
USD-JPY	111.00	111.19	111.38	111.97	112.00
USD-SGD	1.3753	1.3900	1.3903	1.3908	1.3917
EUR-SGD	1.5409	1.5500	1.5503	1.5576	1.5600
JPY-SGD	1.2400	1.2408	1.2484	1.2500	1.2508
GBP-SGD	1.7600	1.7609	1.7636	1.7700	1.7868
AUD-SGD	1.0400	1.0407	1.0488	1.0500	1.0563
Gold	1234.90	1242.48	1249.80	1259.08	1294.25
Silver	16.32	16.50	16.55	16.60	17.08
Crude	42.05	42.80	42.86	42.90	48.40

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

Source: OCBC Bank

### Asia FX Heat Map

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		Red	Grey	Red	Red	Red	Red	Green	Red	Red	Grey
JPY	Green		Green	Red	Red	Grey	Red	Green	Red	Red	Green
CNY	Grey	Red		Red	Red	Red	Red	Grey	Red	Red	Red
SGD	Green	Green	Green		Red	Red	Red	Green	Red	Red	Green
MYR	Green	Green	Green	Green		Red	Red	Green	Red	Green	Green
KRW	Green	Grey	Green	Green	Green		Green	Green	Green	Green	Green
TWD	Green	Green	Green	Green	Green	Red		Green	Green	Green	Green
THB	Red	Red	Grey	Red	Red	Red	Red		Red	Red	Red
PHP	Green	Green	Green	Green	Green	Red	Red	Green		Green	Green
INR	Green	Green	Green	Green	Red	Red	Red	Green	Red		Green
IDR	Grey	Red	Green	Red	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	08-Jun-17	B	AUD-USD	0.7550	0.7695	0.7475	Supportive Aussie GDP and China trade numbers, steady risk	
3	12-Jun-17	S	GBP-USD	1.2760	1.2455	1.2915	UK polity concertainty/limbo	
	STRUCTURAL							
4	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positoning overhang, hawkish	
5	16-May-17	S	AUD-USD	0.7407	0.6890	0.7670	Global reflation plays to continue to wobble?	
6	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
5	01-Jun-17	22-Jun-17	S	USD-JPY	111.00	111.16	Weak broad dollar disposition	-0.25
6	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	+1.92**
	* realized **of notional							
	Jan-May 2017 Return							-17.04
	2016 Return							+6.91

Source: OCBC Bank



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