

Wednesday, April 26, 2017

### FX Themes/Strategy/Trading Ideas

- Amidst diverse influences, the USD put in a mixed performance again on Tues despite firmer UST yields (steepened from the back end). US data points were mixed, with March new home sales and the April Richmond Fed outperforming while the Conference Board confidence index softer than expected.
- Abating risk aversion pulled the USD-JPY higher past 110.00 by late trade (with the JPY underperforming across the board) while French election optimism floated the EUR-USD higher. On the risk appetite front, the **FXSI (FX Sentiment Index)** dug deeper into **Risk-On** territory on Tuesday.
- Elsewhere, despite positive EZ/US equities, the cyclicals (AUD, NZD, CAD) lost favor across G10 space with the NZD-USD sinking below 0.7000 and leading the way lower while USD-CAD continued to ascend following the US imposition of tariffs on lumber imports on Monday.
- Pending further US-centric cues, markets may continue trade on different strains, with investors likely to continue to re-balance and unwind hitherto bearish EUR (and GBP) crosses and potentially load further into the EUR. Meanwhile, firmer US yields and depleting risk aversion may continue to prop up the USD-JPY and keep the JPY disadvantaged on the crosses.
- Today, the much anticipated fiscal announcement by the **White House** will be closely scrutinized for USD cues while in Asia, look to **Australian 1Q CPI** readings. On the latter, any downside surprises may drag the AUD-USD lower given that investors have been somewhat averse to the aussie on the back of a reassessment of the global reflation trade.

### Asian FX

- EM FX also clocked diverse performances overnight, with the European complex gaining in tandem with the EUR while Latam FX was weighed against the USD (MXN undermined by potential trade tensions). Meanwhile, net portfolio inflows in Asia meanwhile continue to moderate in momentum, and further heaviness in USD-Asia would have to be predicated on broad USD vulnerability and sustained containment of risk aversion. **Overall, the ACI (Asian Currency Index) may still be expected to remain top heavy in line with model-implied valuations.**
- **SGD NEER:** The SGD NEER is a touch softer on the day this morning at around +0.47% above its perceived parity (1.3997) with NEER-implied USD-

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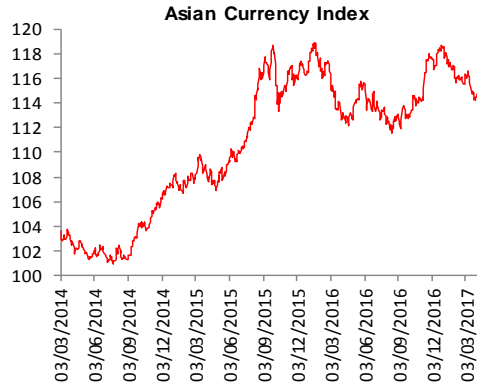
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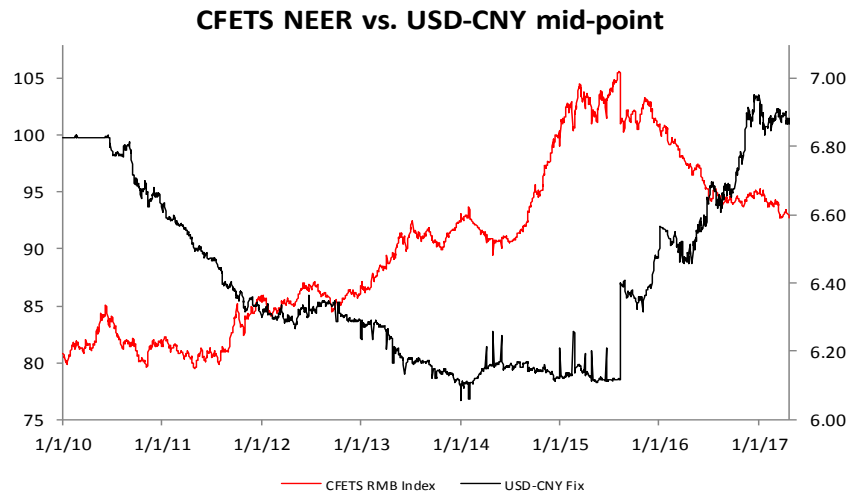
SGD threshold marginally lower. At current levels, the +0.50% is estimated at 1.3927 and may serve as a short term locus for the slightly top heavy USD-SGD. Meanwhile, the +0.80% is estimated at 1.3886, an expected near term floor beyond 1.3900.



	SGD NEER	% deviation	USD-SGD
Current	124.85	0.48	1.3936
+2.00%	126.74		1.3722
Parity	124.26		1.3997
-2.00%	121.77		1.4282

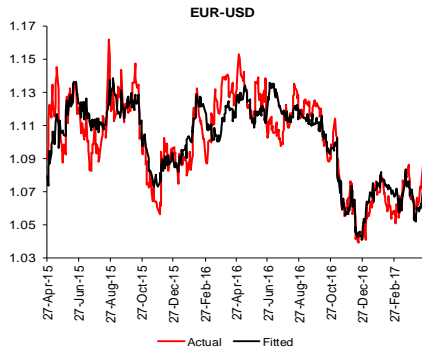
Source: OCBC Bank

- CFETS RMB Index:** Today, the USD-CNY mid-point remained fairly static (as opposed to prior expectations for a lower mid-point) at 6.8845 compared to 6.8833 on Tuesday. This pulled the **CFETS RMB Index** lower to 92.67 (effectively a year-to-date low) from 92.70 yesterday. Nonetheless, stability may remain a mainstay with realized volatility for the mid-points and the Index continuing to push lower.



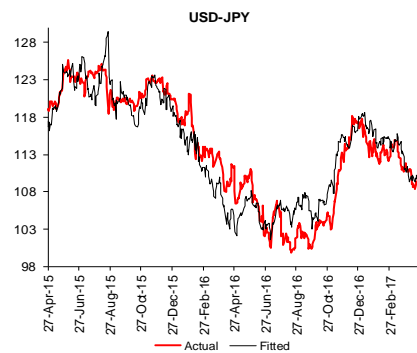
Source: OCBC Bank, Bloomberg

**G7**



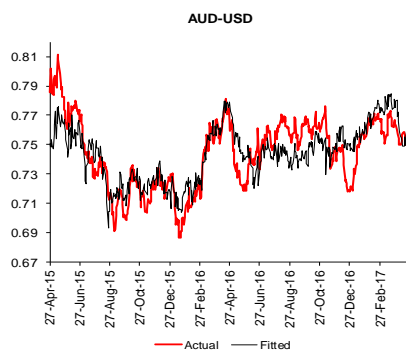
Source: OCBC Bank

- EUR-USD** The EUR was also bolstered by a wire report indicating that the ECB may in fact shift its stance slightly towards neutral at its June meeting. Amidst such chatter and near term background optimism, the EUR-USD may continue to trade slightly north of its short term implied confidence intervals (note EUR-JPY also mulling the 122.00 resistance) ahead of the ECB on Thursday. Expect investors to collect dips within 1.0900-1.1000 in the interim.



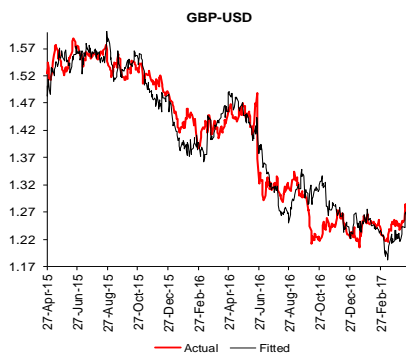
Source: OCBC Bank

- USD-JPY** Heightened volatility may be in store for the USD-JPY in view of the headline risks from the White House fiscal plan announcement later today. On a related note, the buoyant EUR-JPY has also been a recent pillar of support. Short term implied valuations remain supported and the USD-JPY has potential headroom towards its upper confidence interval situated at around 112.40 with the 55-day MA (112.01) also likely to block in the short term.



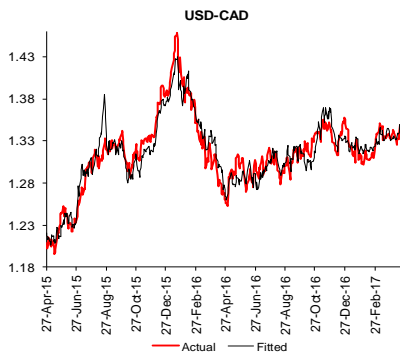
Source: OCBC Bank

- AUD-USD** Mixed to weaker than expected Aussie 1Q CPI numbers may keep the AUD on the defensive despite sanguine risk appetite levels intra-day despite still supportive short term implied valuations. Apparent risks to detach from the 200-day MA (0.7552) towards 0.7490 remain on the cards despite sanguine risk appetite levels.



Source: OCBC Bank

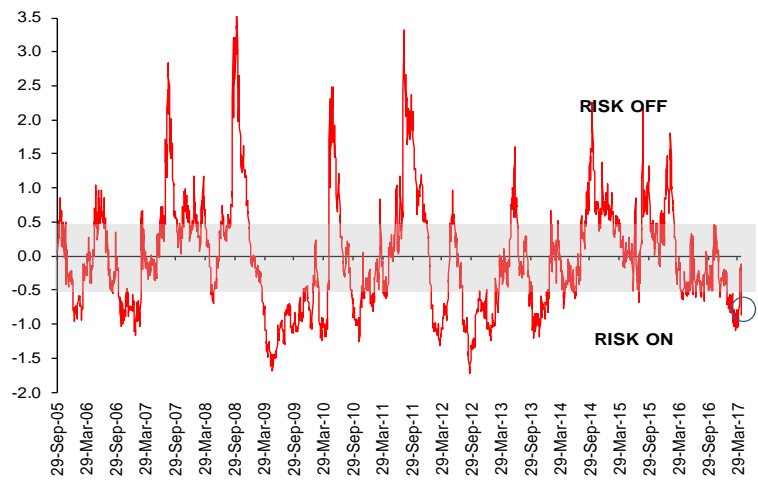
- GBP-USD** GBP-USD may continue to bask in the EUR's afterglow and we watch for a potential breakout beyond the 1.2850/60 neighborhood. Little on the domestic calendar today to distract but with short term implied valuations still supportive, a grind in the direction of 1.2900 cannot be discounted despite a supported EUR-GBP.



Source: OCBC Bank

- USD-CAD** USD-CAD is expected to remain tilted to the upside if trade concerns continue to circulate and crude remains sluggish. Preference to adhere to the supported short term implied valuations with the 1.3600 resistance potentially under threat.

### 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	0.159	0.758	-0.278	0.150	0.797	0.104	0.697	0.368	0.355	0.470	-0.932
CHF	0.879	-0.059	0.783	-0.126	0.296	0.764	-0.094	0.852	0.390	0.123	0.630	-0.892
MYR	0.798	0.389	0.635	-0.163	0.013	0.694	0.336	0.412	0.022	0.296	0.152	-0.651
TWD	0.769	-0.142	0.729	-0.296	-0.030	0.649	-0.159	0.751	0.531	0.249	0.674	-0.765
SGD	0.766	0.191	0.742	-0.156	0.080	0.627	0.097	0.616	0.288	0.102	0.650	-0.766
CNY	0.758	0.208	1.000	0.062	0.430	0.547	0.274	0.599	0.126	-0.154	0.724	-0.635
CCN12M	0.633	0.225	0.717	-0.051	0.200	0.623	0.180	0.632	0.272	0.064	0.465	-0.546
THB	0.607	0.333	0.814	-0.072	0.281	0.525	0.248	0.473	0.159	-0.048	0.550	-0.475
CNH	0.470	-0.157	0.724	0.116	0.377	0.298	-0.097	0.562	0.323	-0.278	1.000	-0.368
KRW	0.253	-0.708	0.317	-0.318	-0.071	0.331	-0.717	0.707	0.723	0.140	0.692	-0.433
USGG10	0.159	1.000	0.208	0.487	0.244	0.019	0.954	-0.368	-0.693	-0.305	-0.157	0.092
PHP	0.140	0.755	0.059	0.199	-0.065	-0.084	0.772	-0.492	-0.665	-0.003	-0.399	-0.007
JPY	0.104	0.954	0.274	0.616	0.328	-0.046	1.000	-0.393	-0.771	-0.415	-0.097	0.201
IDR	0.049	0.454	0.056	0.339	-0.188	-0.354	0.497	-0.525	-0.605	-0.079	-0.245	0.039
INR	0.016	0.357	-0.271	-0.114	-0.310	-0.049	0.341	-0.421	-0.221	0.481	-0.676	0.045
AUD	-0.224	0.453	-0.453	0.174	-0.051	-0.161	0.379	-0.496	-0.533	0.142	-0.775	0.199
NZD	-0.536	-0.223	-0.740	-0.272	-0.602	-0.412	-0.295	-0.414	-0.046	0.407	-0.724	0.195
CAD	-0.614	-0.118	-0.169	0.399	0.090	-0.777	0.098	-0.532	-0.350	-0.609	0.154	0.676
GBP	-0.741	-0.637	-0.499	0.077	-0.204	-0.645	-0.419	-0.313	0.112	-0.215	0.006	0.612
EUR	-0.932	0.092	-0.635	0.430	0.047	-0.828	0.201	-0.790	-0.554	-0.499	-0.368	1.000

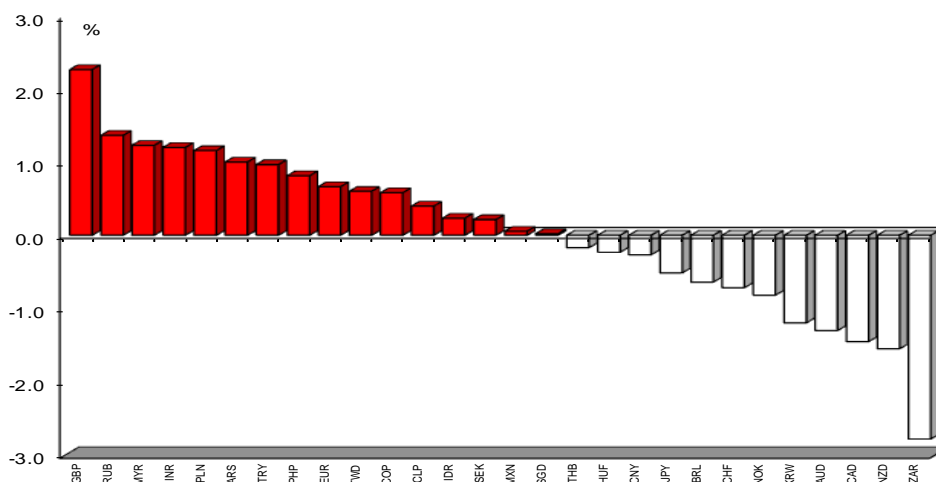
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0892	1.0900	1.0936	1.0950	1.1000
GBP-USD	1.2607	1.2800	1.2839	1.2900	1.2905
AUD-USD	0.7473	0.7500	0.7517	0.7548	0.7600
NZD-USD	0.6910	0.6918	0.6933	0.7000	0.7026
USD-CAD	1.3345	1.3500	1.3573	1.3574	1.3600
USD-JPY	108.94	111.00	111.23	111.80	112.00
USD-SGD	1.3907	1.3913	1.3928	1.3956	1.4000
EUR-SGD	1.5178	1.5200	1.5231	1.5259	1.5300
JPY-SGD	1.2458	1.2500	1.2522	1.2550	1.2600
GBP-SGD	1.7589	1.7800	1.7883	1.7900	1.8015
AUD-SGD	1.0435	1.0466	1.0470	1.0500	1.0533
Gold	1245.68	1258.95	1265.60	1294.80	1297.93
Silver	16.84	17.50	17.58	17.60	17.63
Crude	48.47	49.30	49.39	49.40	51.93

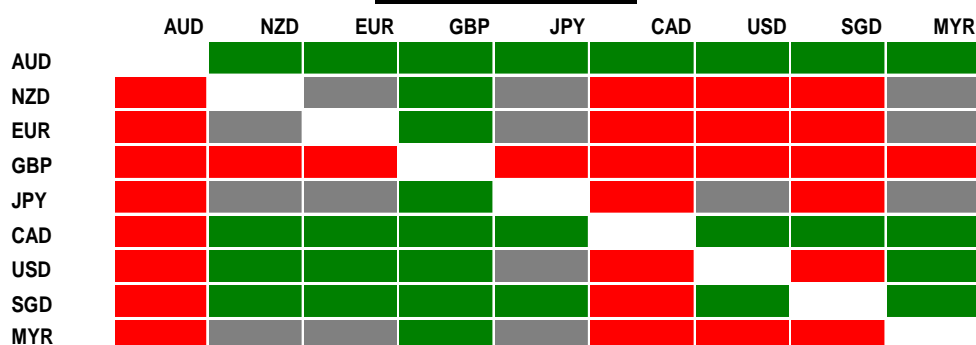
Source: OCBC Bank

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



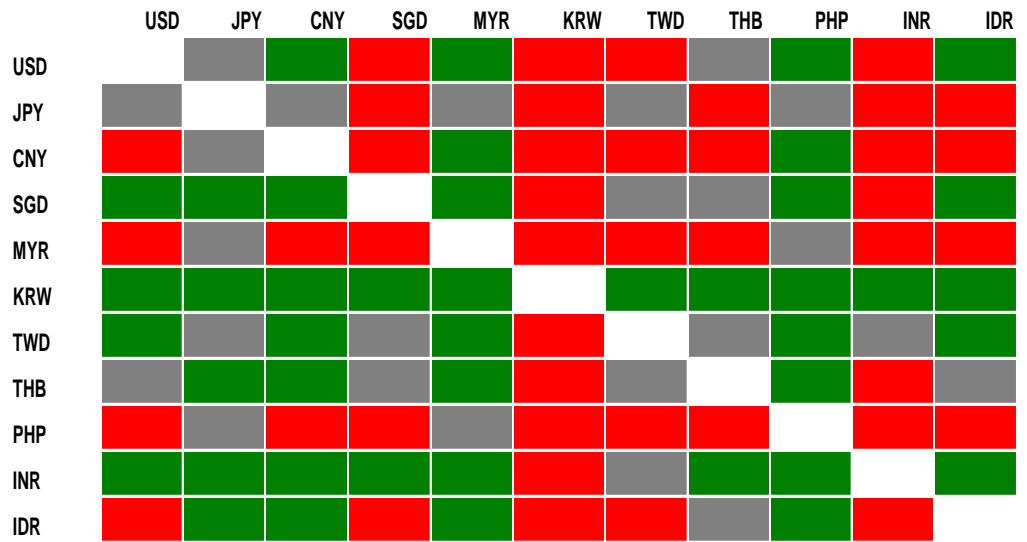
Source: Bloomberg

**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	05-Apr-17	S	AUD-USD	0.7580	0.7405	0.7670	Fragile risk appetite, slightly apprehensive RBA	
2	18-Apr-17	B	GBP-USD	1.2585	1.3140	1.2715	Snap UK elections, soft dollar, -ve EUR risk	
<b>STRUCTURAL</b>								
3	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	
<b>RECENTLY CLOSED TRADE IDEAS</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	27-Mar-17	29-Mar-17	B	GBP-USD	1.2570	1.2390	Spillover from buoyant EUR-USD, GBP shorts wrong footed	-1.46
2	17-Mar-17	03-Apr-17	B	EUR-USD	1.0766	1.0645	Dutch election news flow, abating le Pen concerns, weekend USD	-1.14
3	17-Mar-17	10-Apr-17	S	USD-SGD	1.4029	1.4067	Vulnerable USD, positive risk appetite, tolerant MAS	-0.27
4	01-Mar-17	11-Apr-17	B	USD-CAD	1.3326	1.3322	BOC static in March, sharp contrast with Fed's recent posture	+0.04
5	14-Feb-17	14-Apr-17		Bearish 2M USD-CAD Put Spread Spot ref: 1.3055; Strikes: 1.3049, 1.2500; Exp: 14/04/17; Cost: 1.19%			Underlying growth theme in spite of the Trump/FOMC trade	-1.19**
6	10-Apr-17	18-Apr-17	S	EUR-USD	1.0585	1.0685	Policy dichotomy, French election risks	-0.90
7	17-Apr-17	19-Apr-17	S	USD-CAD	1.3298	1.3415	Vulnerable USD; supported crude on geopolitics	-0.88
8	22-Feb-17	20-Apr-17		Bullish 2M AUD-USD 1X1.5 Call Spread Spot ref: 0.7688; Strikes: 0.7677, 0.8041; Exp: 20/04/17; Cost: 1.19%			Global reflation trade, Fed expected to hike later rather than sooner	-1.18**
9	22-Mar-17	24-Apr-17	S	USD-JPY	111.62	110.00	Trump trade unwind, mild risk aversion	+1.31
10	22-Nov-16	24-Apr-17	B	USD-JPY	110.81	110.20	Potential for a more activist Fed, static BOJ	+0.45
* realized **of notional								
								Jan-Mar 2017 Return -11.88
								2016 Return +6.91

Source: OCBC Bank

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