

Thursday, October 26, 2017

### FX Themes/Strategy/Trading Ideas

- The USD parted ways within G10 space on Wednesday, gaining against the antipodeans and the CAD but losing ground against the GBP and the EUR despite the 10y UST yield touching a high of 2.475% (note better than expected September durable goods orders).
- The GBP was boosted by better than expected GDP 3Q GDP figures, the EUR by pre-emptive bids ahead of the ECB today, while the CAD was undermined by cautious rhetoric from the Bank of Canada's Poloz (warning against currency strength). The AUD was trounced by disappointing 3Q CPI data while the NZD continued to be suppressed by concerns over the RBNZ's mandate. Elsewhere, the JPY outperformed across the board on a tinge of risk aversion on cited carry trade unwind.
- The ECB Council meeting (1145 GMT; press conference at 1230 GMT) is expected to be the primary focus for today and investors may continue to be distracted and trade off non US-centric factors in the interim. **Thus, despite rate differential arguments underpinning broad USD prospects, and global core central banks outside of the Fed seeking to dissuade excessively hawkish expectations, the DXY remains shy of its 94.00 resistance with rotational plays instead likely to persist in the interim.**

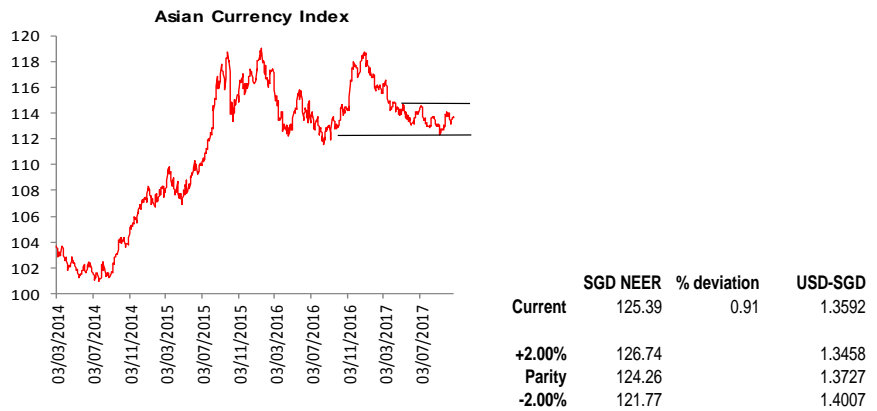
### Asian FX

- Negative EZ/US equities (global EM equities came off intra-day highs to end roughly flat with Asian equities also off to a wobbly start on Thursday) and volatile EM FX overnight (MXN, ZAR, BRL, TRY) may see carry being impinged, especially in Asia. On this front, the North-South dichotomy continues. Net portfolio inflows indicate intrinsic inflow support for the KRW and the TWD, moderating outflow pressures for the INR but persistent outflow pressure for the IDR and THB.
- South Korea's 3Q GDP came in at a better than expected +3.6% yoy and this dovetails with the slightly more supported/hawkish rhetoric emanating from the Bank of Korea in recent weeks. Overall, with the **FXSI (FX Sentiment Index)** easing slightly within Risk-neutral territory on Wednesday despite mild investor jitters, the **ACI (Asian Currency Index)** may attempt to edge lower intra-day.
- **SGD NEER:** The SGD NEER is firmer on the day this morning at 93% above its perceived parity (1.3727) with NEER-implied USD-SGD thresholds slightly softer. At current levels, the +1.00% threshold is estimated at 1.3591

Treasury Research &  
Strategy

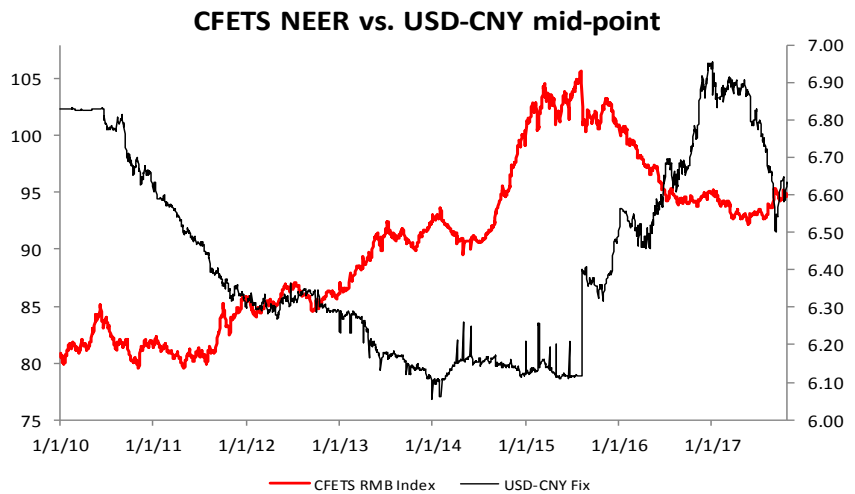
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and +1.10% at 1.3577, while the 55-day MA resides at 1.3560. Expect bottom fishing to persist for the USD-SGD despite a slightly shaky broad dollar.



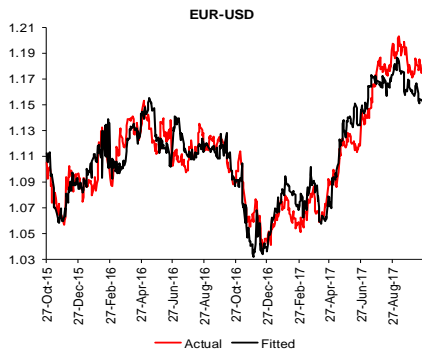
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point gained slipped (in line with expectations) to 6.6288 from 6.6322 on Wednesday, this took the CFETS RMB Index lower to 94.78 from 94.82 yesterday.



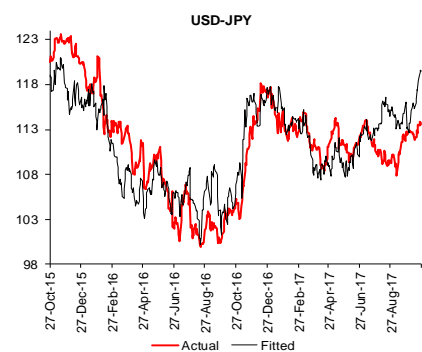
Source: OCBC Bank, Bloomberg

G7



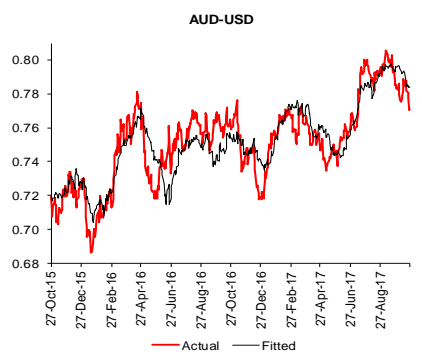
Source: OCBC Bank

- EUR-USD** Baseline consensus for the ECB meeting today center around a reduction to EUR30bn with an extension of 9 months with the accompanying press conference by Draghi to be closely scrutinized. Watch for a potential unwind with investors having positioned for a hawkish surprise in recent sessions. Meanwhile, short term implied valuations continue to slip with the 55-day MA (1.1843) expected to cap pending the ECB.



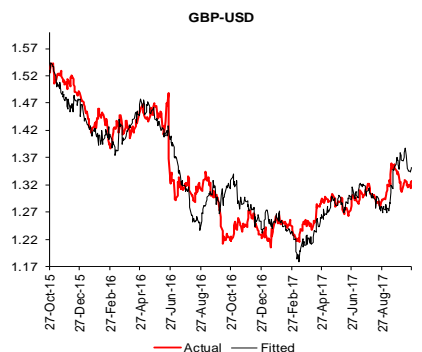
Source: OCBC Bank

- USD-JPY** Near term view remains unchanged and rate differential dynamics are continuing to float short term implied valuations for the USD-JPY. Pending further risk appetite developments, we'd expect some base building on dips towards 113.00.



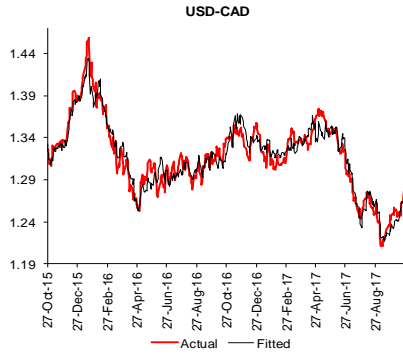
Source: OCBC Bank

- AUD-USD** The RBA's DeBelle is scheduled at 0750 GMT and if the cyclical continue to remain out of favor in the near term, the AUD-USD may continue to take guidance from its top heavy short term implied valuations and adhere to the lower bounds of its implied confidence intervals. Technically, the 200-day MA (0.7694) is in jeopardy.



Source: OCBC Bank

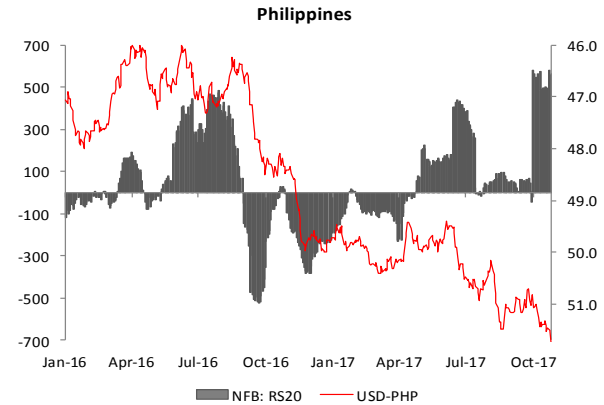
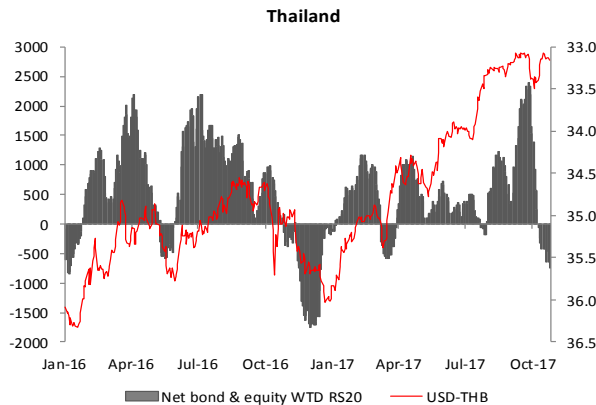
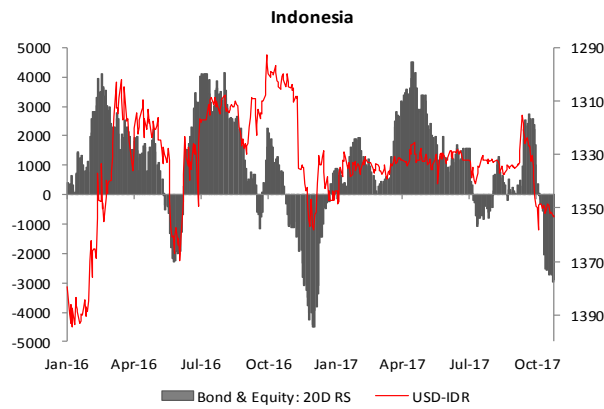
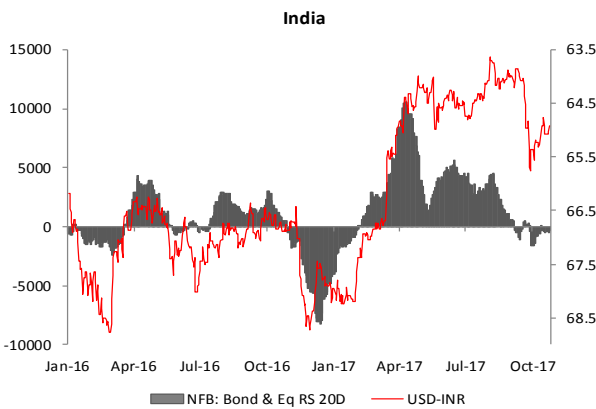
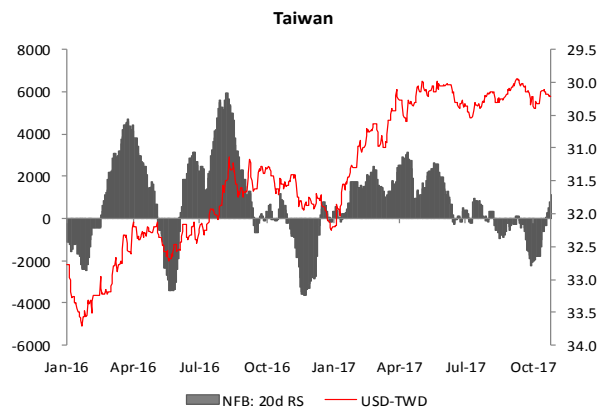
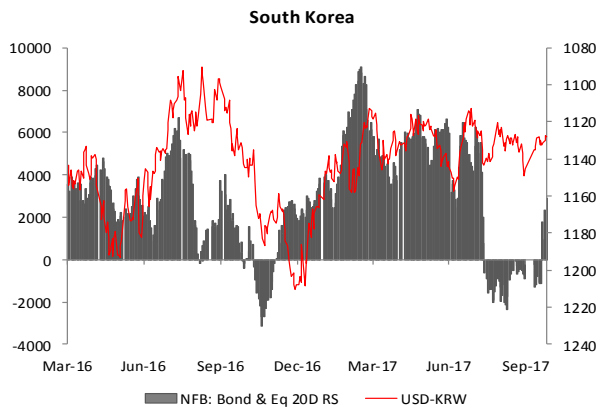
- GBP-USD** Better than expected 3Q UK GDP readings boosted the GBP-USD on Wednesday and further cemented rate hike expectations for the BOE next week. Short term implied valuations have reacted slightly higher in response and the pair may be expected to hold within its 55-day MA (1.3163) and 1.3325 in the interim.

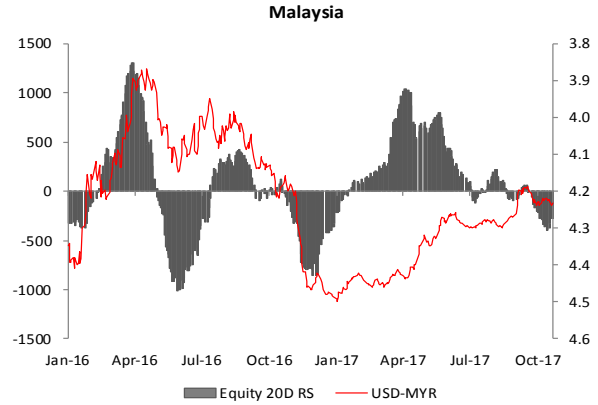


- USD-CAD** Rhetoric from the Bank of Canada on Wednesday was perceived as less than hawkish and even dovish, with references made to the stronger currency. Coupled with softening crude, short term valuations continue to rise (note however increasingly parabolic characteristics) and the USD-CAD may contemplate the 1.2800 ceiling towards 1.2860 in the near term.

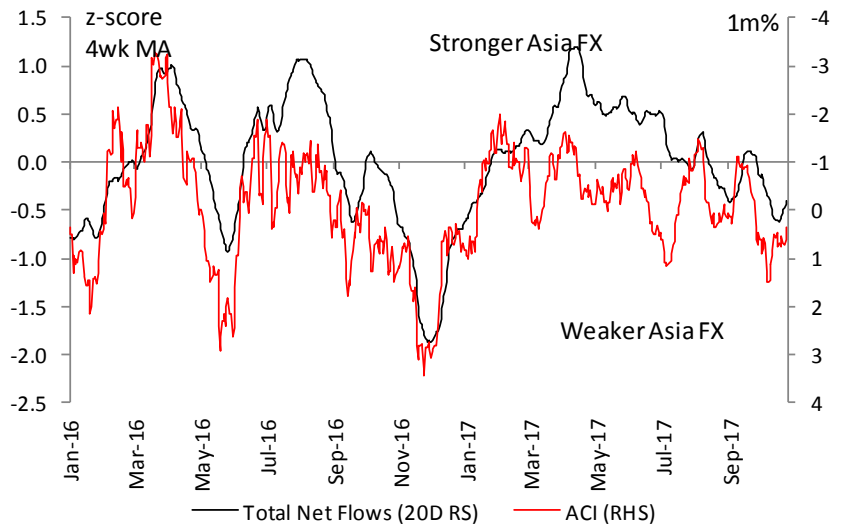
Source: OCBC Bank

**USD-Asia VS. Net Capital Flows**

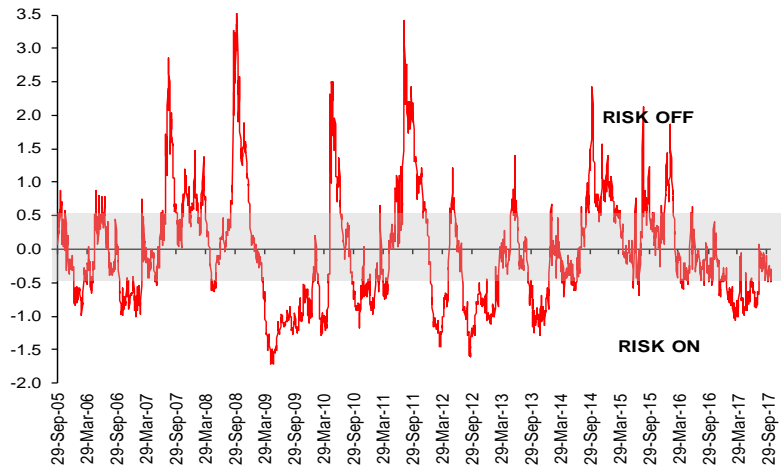




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.643	0.269	0.462	0.243	-0.072	0.691	-0.153	0.319	-0.442	0.496	-0.678
SGD	0.821	0.565	0.635	0.048	-0.235	-0.42	0.65	-0.346	0.097	0.017	0.774	-0.722
CHF	0.717	0.836	0.077	0.748	0.657	0.426	0.824	0.254	0.736	-0.789	0.108	-0.097
MYR	0.712	0.638	0.309	0.31	0.112	-0.279	0.569	-0.284	0.174	-0.338	0.543	-0.442
JPY	0.691	0.862	0.428	0.374	0.202	0.25	1	0.295	0.602	-0.398	0.469	-0.202
CAD	0.69	0.884	0.138	0.61	0.488	0.394	0.823	0.274	0.668	-0.654	0.184	-0.052
USGG10	0.643	1	0.133	0.566	0.363	0.17	0.862	0.109	0.516	-0.549	0.226	-0.046
CNH	0.496	0.226	0.981	-0.373	-0.561	-0.4	0.469	-0.105	-0.109	0.365	1	-0.655
IDR	0.427	0.708	-0.119	0.632	0.533	0.081	0.481	-0.064	0.382	-0.645	0.023	0.057
TWD	0.315	0.191	0.786	-0.421	-0.651	-0.746	0.199	-0.519	-0.381	0.455	0.849	-0.576
THB	0.3	0.079	0.505	-0.456	-0.674	-0.806	0.038	-0.634	-0.49	0.513	0.694	-0.595
CNY	0.269	0.133	1	-0.447	-0.531	-0.018	0.428	0.393	0.239	0.398	0.981	-0.498
PHP	0.239	0.556	-0.421	0.798	0.872	0.626	0.425	0.304	0.723	-0.846	-0.491	0.382
CCN12M	0.211	0.111	0.816	-0.276	-0.362	-0.227	0.28	0.048	-0.142	0.266	0.788	-0.313
INR	-0.135	-0.224	0.445	-0.75	-0.804	-0.516	-0.079	-0.228	-0.323	0.77	0.418	-0.314
AUD	-0.545	-0.869	-0.022	-0.367	-0.227	0.004	-0.644	0.049	-0.464	0.391	-0.111	0.052
KRW	-0.561	-0.436	0.462	-0.796	-0.877	-0.771	-0.415	-0.243	-0.583	0.852	0.289	-0.058
NZD	-0.565	-0.851	0.009	-0.697	-0.571	-0.436	-0.808	-0.236	-0.753	0.688	0.015	-0.16
GBP	-0.662	-0.472	0.406	-0.803	-0.625	0.069	-0.287	0.392	-0.192	0.706	0.1	0.264
EUR	-0.678	-0.046	-0.498	0.143	0.301	0.449	-0.202	0.359	0.112	-0.131	-0.655	1

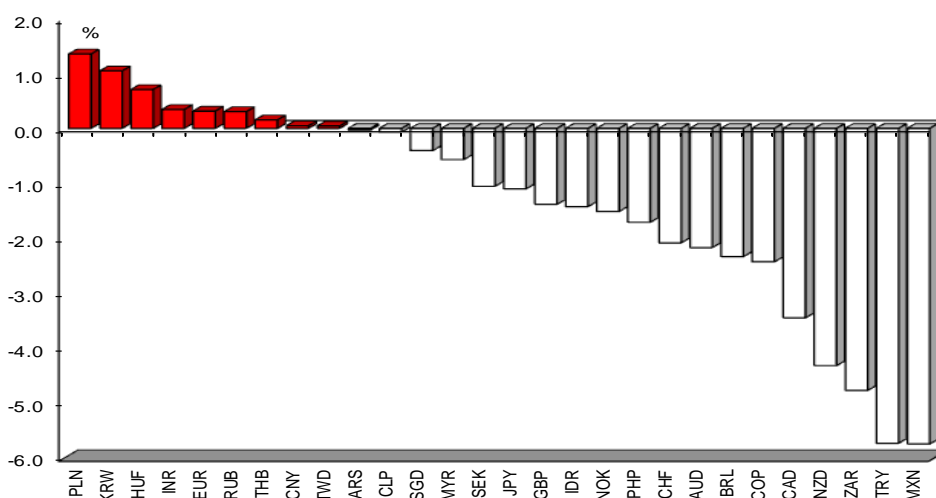
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1698	1.1800	1.1829	1.1848	1.1867
GBP-USD	1.3181	1.3200	1.3272	1.3300	1.3353
AUD-USD	0.7700	0.7710	0.7713	0.7800	0.7895
NZD-USD	0.6861	0.6870	0.6895	0.6900	0.7150
USD-CAD	1.2700	1.2750	1.2788	1.2800	1.2817
USD-JPY	111.71	113.00	113.47	113.88	114.00
USD-SGD	1.3500	1.3544	1.3596	1.3600	1.3660
EUR-SGD	1.6000	1.6049	1.6083	1.6087	1.6100
JPY-SGD	1.1928	1.1955	1.1982	1.2000	1.2126
GBP-SGD	1.7856	1.8000	1.8044	1.8100	1.8117
AUD-SGD	1.0450	1.0469	1.0487	1.0500	1.0631
Gold	1260.64	1263.79	1275.40	1298.55	1299.67
Silver	16.50	17.00	17.01	17.10	17.24
Crude	51.01	52.00	52.09	52.10	53.08

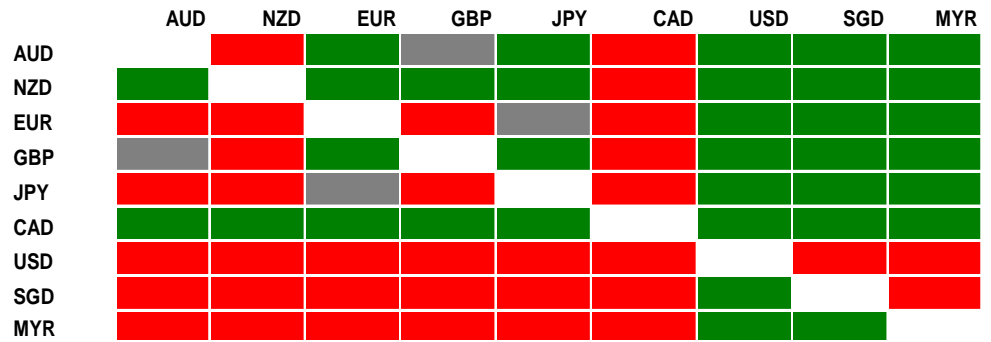
Source: OCBC Bank

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



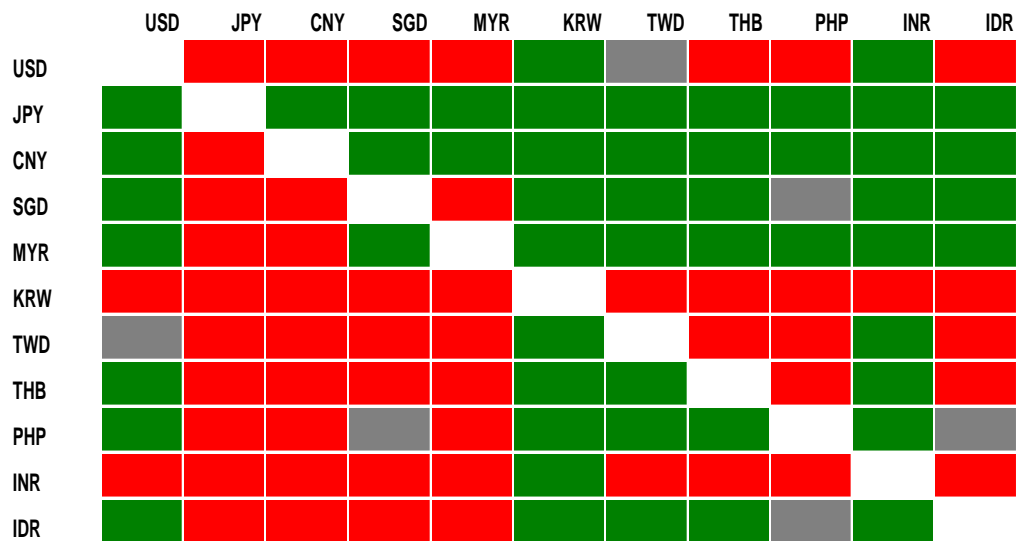
Source: Bloomberg

**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	21-Sep-17	B	USD-JPY	112.58	115.05	111.30	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	
2	28-Sep-17	S	AUD-USD	0.7816	0.7625	0.7915	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	
3	28-Sep-17	B	USD-CAD	1.2500	1.2795	1.2350	Reality check from the BOC's Poloz even as the USD garners renewed interest	
4	24-Oct-17	S	EUR-USD	1.1763	1.1535	1.1875	Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow	
5	24-Oct-17	B	USD-SGD	1.3616	1.3765	1.3540	Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in	
<b>STRUCTURAL</b>								
6	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
7	29-Aug-17		Bearish 2M 1X1.5 USD-SGD Put Spread Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31%			Vulnerable USD, prevailing positivity towards carry, EM/Asia		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	19-Sep-17	27-Sep-17	B	GBP-USD	1.3540	1.3395	Earlier than expected paradigm change by the BOE	-1.11
2	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734	1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
3	09-Oct-17	12-Oct-17	S	GBP-USD	1.3116	1.3256	Brexit concerns plus additional leadership threats to PM May's position	-1.05
4	04-Oct-17	12-Oct-17	B	USD-SGD	1.3602	1.3525	Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia	-0.56
5	22-Aug-17	20-Oct-17		Bearish 2M 1X1.5 USD-JPY Put Spread Spot ref: 109.31; Strikes: 109.00, 106.04; Exp: 20/10/17; Cost: 0.57%			Underwhelming data feed, gradualist Fed, potential negative US political baggage	-0.56**
							Jan-Oct*** 2017 Return	-10.82
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank



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