

Tuesday, February 28, 2017

### FX Themes/Strategy/Trading Ideas

- The USD was given a boost (despite mixed to soft Jan durable goods orders) after overtly hawkish comments from the Fed's Kaplan ("sooner rather than later" and "don't want to over read or overreact..." to market expectations) while UST yields also rose in reaction (with the middle sector underperforming) and market implied odds of a hike in March firmed on the day. On the risk appetite front, the **FXSI (FX Sentiment Index)** slipped back into Risk-On territory on Monday from Risk-Neutral territory.
- The key focus ahead will be President **Trump's** address before Congress late Tue (9pm EST or Wed 0200 GMT), namely, if any further cues on the potential imputed fiscal impact of the budget (and by extension, the probable Fed trajectory) are revealed.
- Accompanying headline risks may also emanate from **Fed rhetoric** on Tue with Harker (2000 GMT), Williams (2030 GMT) and Bullard (2340 GMT). Overall, expect range trading behavior with both sides of the Trump trade squared up against each other ahead of his address to Congress.

### Asian FX

- With risk appetite levels still sanguine, EM FX meanwhile was none the worse for wear (selectively weaker perhaps) on Tue despite Kaplan's comments. Dependent on the message from Trump tomorrow morning and prevailing global risk appetite levels in Asia, it remains to be seen of the regional currencies as a bloc proxied by the **ACI (Asian Currency Index)** can continue to part ways with the DXY.
- **SGD NEER:** This morning, the SGD NEER is a touch higher on the day at around +0.51% above its perceived parity (1.4125). The Index traded close to +0.75% overnight when USD-SGD brushed up against 1.4000 before rebounding in line with a stronger broad dollar. We expect tolerance for NEER strength to remain at around +0.50% (1.4055) to +0.60% (1.4041). in the interim, NEER-implied USD-SGD thresholds are slightly firmer this morning while downside prospects 9technical supports expected into 1.4000/20) for the pair continue to be governed by volatility considerations (both for the NEER as well as USD-SGD).

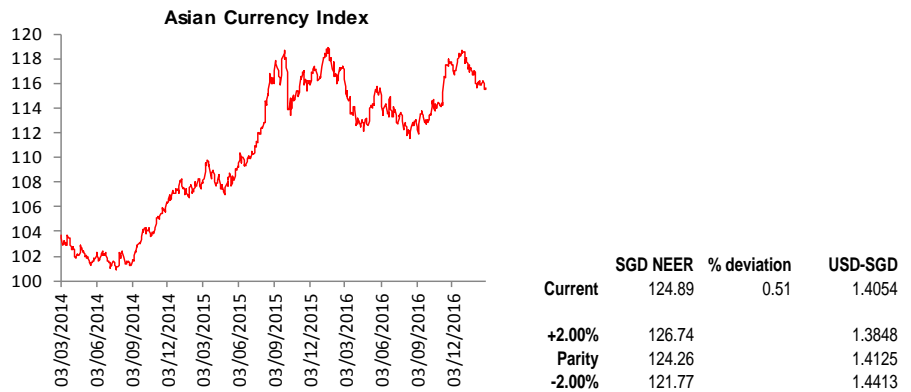
Corporate FX &  
Structured Products  
Tel: 6349-1888 / 1881  
Fixed Income &  
Structured Products  
Tel: 6349-1810

Investments &  
Structured Product  
Tel: 6349-1886

Interest Rate Derivatives  
Tel: 6349-1899

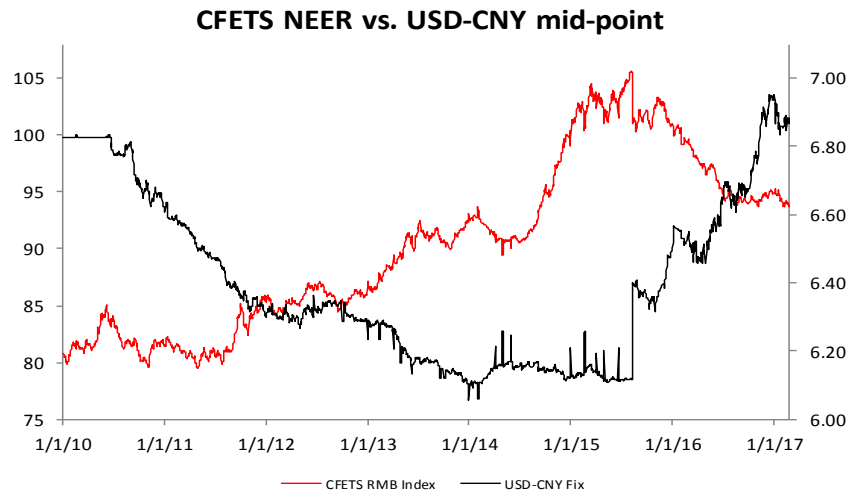
Treasury Research &  
Strategy  
Tel: 6530-4887

**Emmanuel Ng**  
+65 6530 4073  
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)



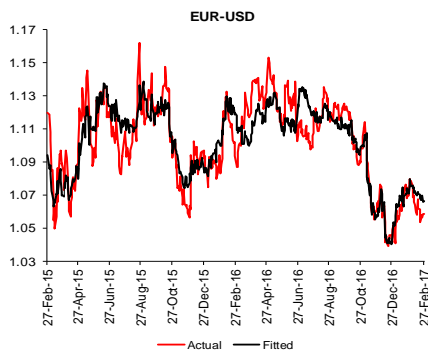
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point fell to 6.8750 from 6.8814 on Monday, lifting the **CFETS RMB Index** higher to 93.84 from 93.75 yesterday.



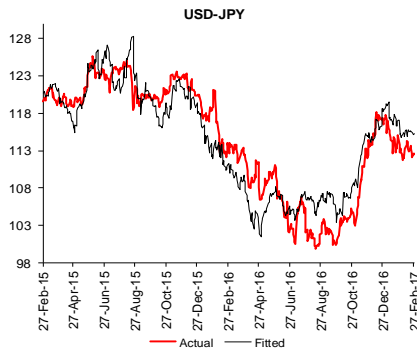
Source: OCBC Bank, Bloomberg

**G7**



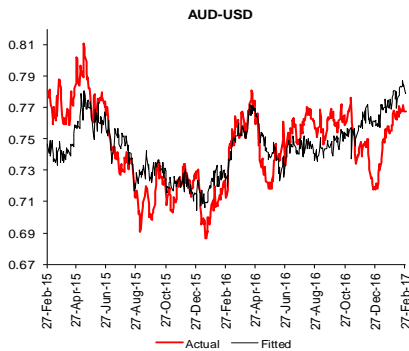
Source: OCBC Bank

- EUR-USD** EUR-USD found some buoyancy after polls indicated improved support for Macron (narrowing OAT-bund spreads) in the French Presidential elections, but Kaplan’s comments pulled the pair back below 1.0600. Note however that the EUR managed to outperform across G10. Despite Kaplan, heavy short term valuations may continue to cap the upside for the pair and if the 55-day MA (1.0592) is not overcome successfully, risks for 1.0550 and 1.0520 may re-materialize.



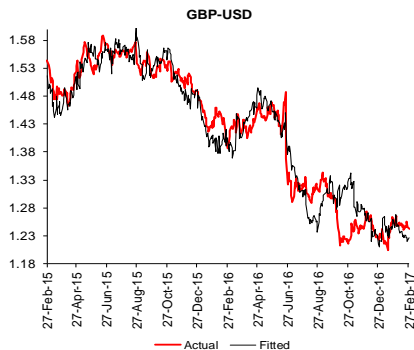
Source: OCBC Bank

- USD-JPY** USD-JPY remains a prime mover with respect to Trump/Fed news flow and this will likely be demonstrated again today. As noted previously, dollar skepticism on this front remains visible, in line with still heavy near term implied valuations. The pair may traverse a 112.00-113.00 range ahead of Trump/Fed-speak today.



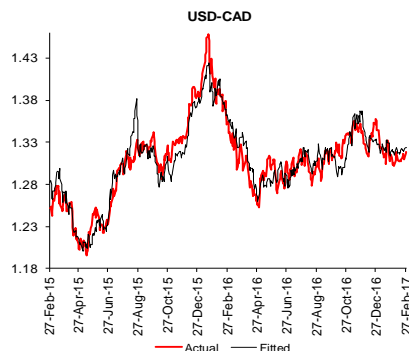
Source: OCBC Bank

- AUD-USD** The global reflation play was hardly dented despite Kaplan on Monday, although we note another failure by the pair to establish a beachhead above 0.7700. Some consolidation may persist in the near term with near term implied valuations looking slightly top heavy at this juncture. Initial support is expected into 0.7620.



Source: OCBC Bank

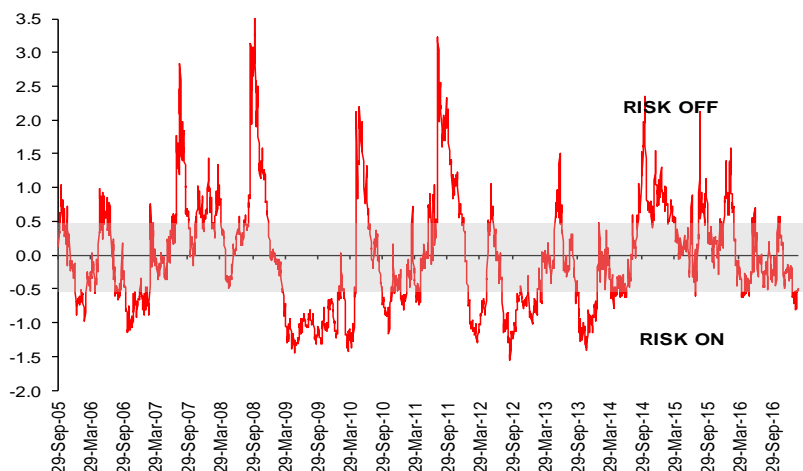
- GBP-USD** Any dollar uptick in the near term we think only plays into the hands of GBP bears (who were already emboldened by Scottish referendum jitters on Monday). Short term implied valuations for the pair remain unambiguously heavy on a multi-session horizon with risks of a breach of 1.2400 towards 1.2380 still on the horizon.



Source: OCBC Bank

- USD-CAD** Near term implied valuations for the pair are still attempting to bottom out, especially with risks of a dollar recoiling higher post-Trump tonight. With the pair now having cleared the 200-day MA (1.3149), USD-CAD may increasingly eye the 55-day MA (1.3225), especially if the BOC on Wed remains neutral in its rhetoric.

### 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	-0.278	0.352	0.877	0.868	-0.418	0.428	0.321	-0.140	-0.450	0.777	-0.984
CHF	0.963	-0.322	0.439	0.892	0.861	-0.428	0.343	0.476	-0.095	-0.430	0.753	-0.971
MYR	0.820	-0.033	0.181	0.790	0.881	-0.129	0.577	0.255	-0.051	-0.259	0.807	-0.805
CNH	0.777	-0.212	0.358	0.559	0.637	-0.338	0.515	0.116	-0.130	-0.039	1.000	-0.785
PHP	0.745	-0.338	0.277	0.880	0.852	-0.533	0.177	0.672	0.254	-0.439	0.552	-0.790
AUD	0.569	-0.259	-0.206	0.736	0.704	-0.050	-0.042	0.522	-0.065	-0.637	0.075	-0.555
CAD	0.505	-0.543	0.405	0.368	0.388	-0.633	-0.127	-0.052	0.030	0.227	0.515	-0.559
JPY	0.428	0.666	0.265	0.201	0.254	0.222	1.000	0.008	-0.061	-0.364	0.515	-0.337
CNY	0.352	0.023	1.000	0.024	0.066	-0.137	0.265	-0.047	-0.155	0.262	0.358	-0.381
SGD	0.246	0.389	0.344	-0.129	0.023	0.319	0.634	-0.520	-0.440	0.169	0.383	-0.110
IDR	-0.028	0.325	0.381	0.065	0.103	-0.059	0.199	0.388	0.605	-0.100	-0.105	-0.019
USGG10	-0.278	1.000	0.023	-0.364	-0.329	0.507	0.666	-0.126	0.122	-0.277	-0.212	0.355
KRW	-0.553	0.463	0.378	-0.643	-0.499	0.577	0.175	-0.266	0.009	0.522	-0.152	0.555
THB	-0.571	0.558	0.287	-0.729	-0.598	0.318	0.218	-0.467	0.142	0.414	-0.262	0.607
GBP	-0.617	0.158	-0.011	-0.563	-0.478	0.437	-0.055	-0.109	0.156	0.477	-0.296	0.564
CCN12M	-0.639	0.612	0.027	-0.612	-0.586	0.418	0.182	0.001	0.266	0.206	-0.301	0.649
TWD	-0.678	0.095	0.126	-0.911	-0.840	0.479	-0.207	-0.534	-0.444	0.587	-0.327	0.691
INR	-0.755	0.452	0.009	-0.793	-0.735	0.075	-0.115	-0.453	0.300	0.393	-0.423	0.753
NZD	-0.874	0.198	-0.233	-0.776	-0.800	0.164	-0.482	-0.384	0.245	0.291	-0.839	0.871
EUR	-0.984	0.355	-0.381	-0.890	-0.891	0.463	-0.337	-0.369	0.097	0.388	-0.785	1.000

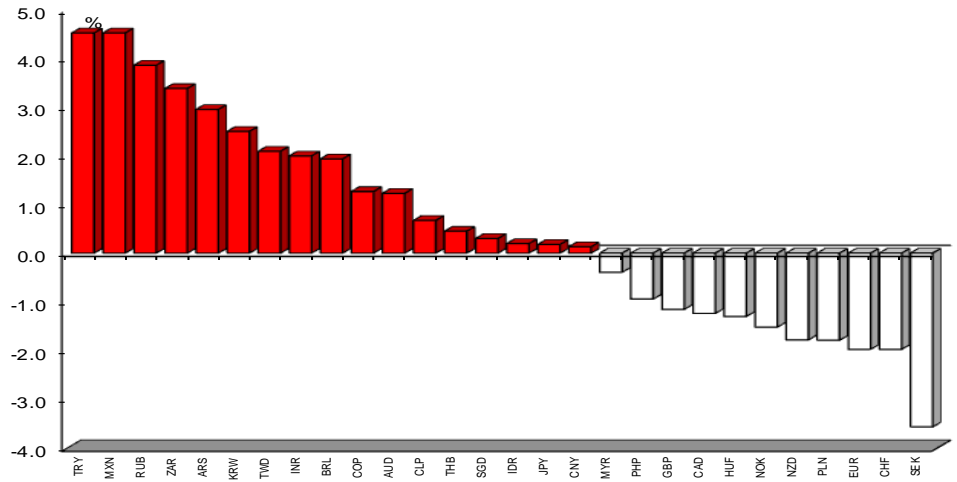
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0494	1.0500	1.0585	1.0600	1.0604
GBP-USD	1.2389	1.2400	1.2432	1.2500	1.2592
AUD-USD	0.7600	0.7601	0.7677	0.7700	0.7724
NZD-USD	0.7123	0.7138	0.7179	0.7200	0.7318
USD-CAD	1.3100	1.3146	1.3192	1.3200	1.3202
USD-JPY	111.60	112.00	112.57	113.00	114.28
USD-SGD	1.4001	1.4010	1.4050	1.4100	1.4251
EUR-SGD	1.4806	1.4810	1.4872	1.4900	1.5111
JPY-SGD	1.2400	1.2448	1.2481	1.2500	1.2626
GBP-SGD	1.7420	1.7430	1.7467	1.7500	1.7662
AUD-SGD	1.0700	1.0722	1.0786	1.0800	1.0947
Gold	1200.00	1206.55	1253.70	1262.72	1264.90
Silver	18.04	18.30	18.31	18.40	18.43
Crude	53.70	54.10	54.13	54.20	54.71

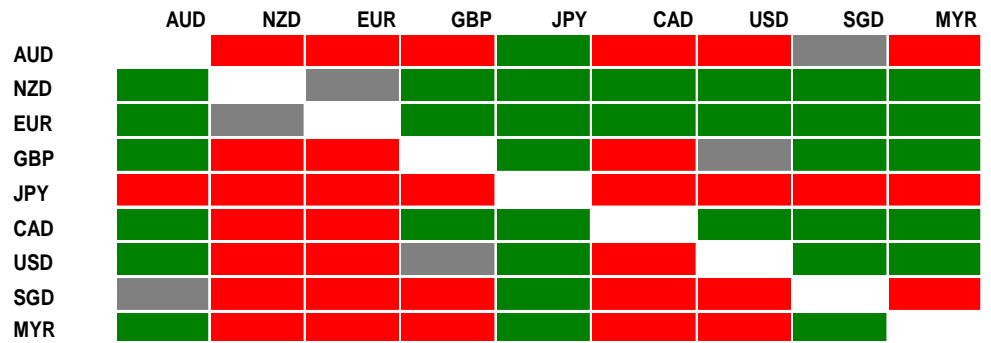
Source: OCBC Bank

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



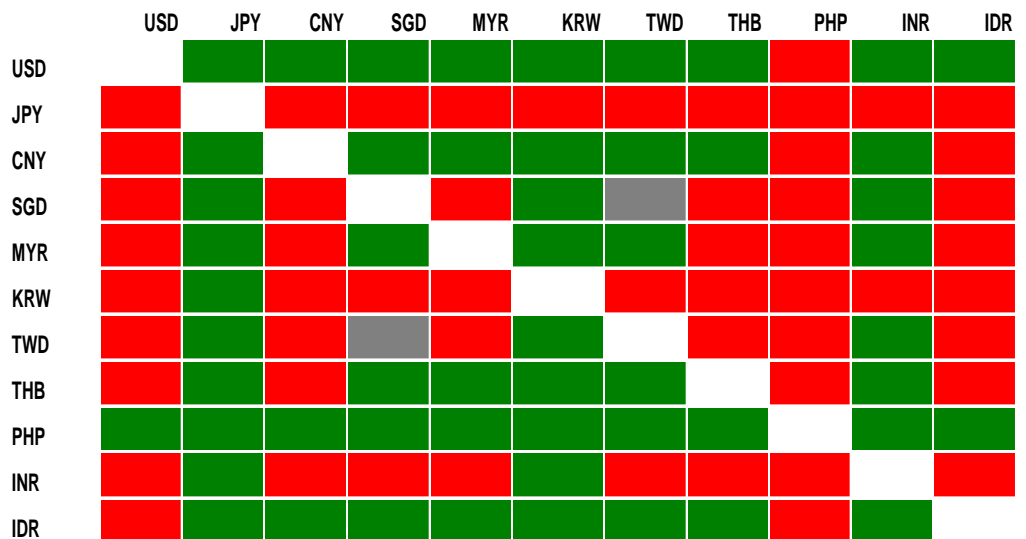
Source: Bloomberg

**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		
10	22-Feb-17		Bullish 2M AUD-USD 1X1.5 Call Spread Spot ref: 0.7688; Strikes: 0.7677, 0.8041 Cost: 1.19%			Global reflation trade, Fed expected to hike later rather than sooner		
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	09-Jan-17	06-Feb-17	S	USD-CAD	1.3264	1.3135	Supportive crude and labor market numbers	0.92
2	18-Jan-17	21-Feb-17	B	EUR-USD	1.0688	1.0588	Dollar hiccup, hint of inflation in EZ	-1.11
3	16-Feb-17	22-Feb-17	S	USD-CAD	1.3060	1.3127	Global reflation, supportive domestic data, USD hesitation	-0.52
* realized							Jan 2017 Return	-6.78
							2016 Return	+6.91

Source: OCBC Bank

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

---