

Tuesday, March 28, 2017

FX Themes/Strategy/Trading Ideas

- Markets continued to lose interest in the Trump trade as the UST curve bull flattened (10y UST yield down to 2.3764%) from the back-end and the USD continued to weaken, albeit bouncing off intra-day lows by late NY. However, note that the CAD and the AUD failed to capitalize on USD vulnerability and in fact underperformed across G10 space on the back of a soggy commodity complex and negative global equity space.
- Although the greenback may remain under negative stress at this juncture, slight investor caution may imply that the typical reversion to the search for yield may not materialize, especially if equity/commodity prices continue to head south at the same time.
- Overall, note that the **DX** dipped briefly below 99.00 on Monday (pre-election level of 98.00 still attracting) and XAU is looking climb higher in the near term as a consequence. **Fed** speak today includes George, Kaplan, and Powell, with **Yellen** also due at 1650 GMT. We stay with a tactical short USD-JPY (100.00 level remains conspicuous) but continue to fade AUD-USD rallies.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** slipped deeper again into Risk-On territory on Monday, although we remain cautious on this front.
- With the Trump trade under pressure to unwind further and Le Pen risks moderating, we closed out our 28 Nov 16 idea to be structurally short **EUR-USD** (spot ref: 1.0641) at 1.0843 on Monday for an implied -1.04% loss.
- Despite potential risks from A50 headlines on Wednesday, inherent GBP negativity may be put on ice in the near term. With spill-over of dollar negativity from the EUR-USD likely lending support to the GBP-USD and leveraged GBP shorts on the CFT front also caught wrong footed in the latest week, there may be scope for short term GBP outperformance against the USD. From a **GBP-USD** spot ref of 1.2570 on Monday, we target 1.2925 and place a stop at 1.2390.

Asian FX

- While USD-Asia may be expected to remain top heavy intra-day, this remains heavily predicated on (still) sanguine risk appetite levels and no negative spillover from equities/commodities. Overall, the **ACI (Asian Currency Index)** is expected to remain keyed into the heavy broad dollar,

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

Investments &
Structured Product
Tel: 6349-1886

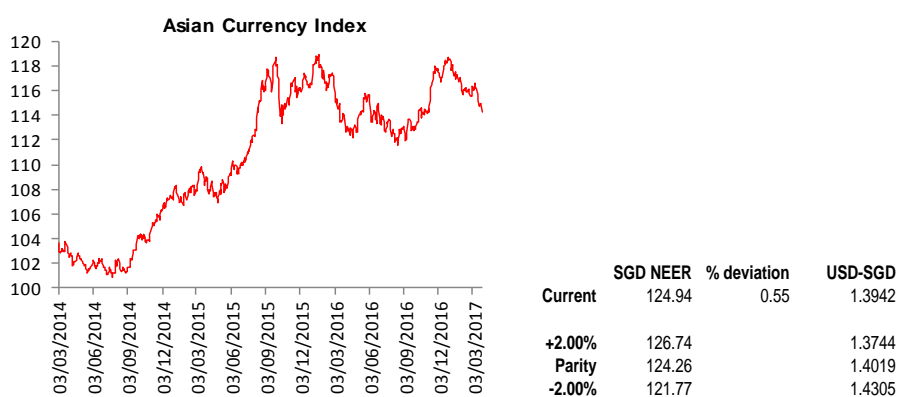
Interest Rate Derivatives
Tel: 6349-1899

Treasury Research &
Strategy
Tel: 6530-4887

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com

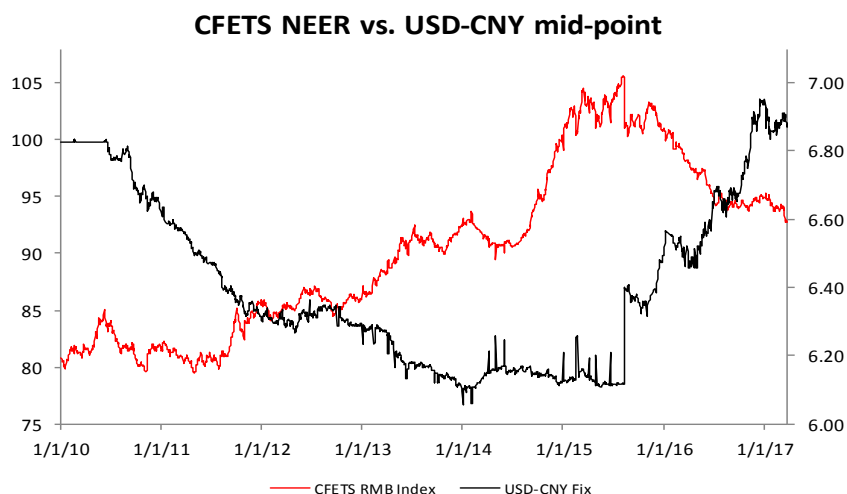
our **Heat Map** also portending/reflecting a soft greenback in the region. This morning, South Korea's 4Q GDP clocked a better than expected +2.40% yoy.

- **SGD NEER:** This morning, the **SGD NEER** is slightly firmer at around +0.54% above its perceived parity (1.4019), with NEER-implied USD-SGD thresholds lower in tandem with a soft broad dollar. Near term, the NEER may continue to fluctuate within +0.50% (1.3949) and +0.70% (1.3921) and any push below the 200-day MA (1.3913) by the (still heavy) USD-SGD may require another exogenous DXY move.

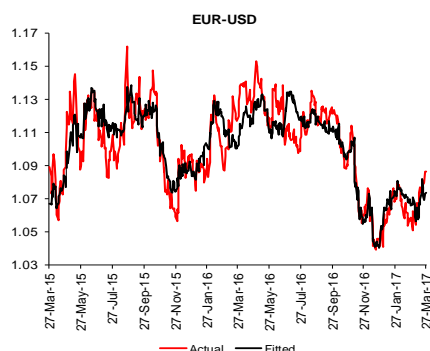


Source: OCBC Bank

- **CFETS RMB Index:** The USD-CNY mid-point this morning rose (largely as expected) to 6.8782 from 6.8701 yesterday. This resulted in the **CFETS RMB Index** softening further to 92.68 from 92.82 on Monday.

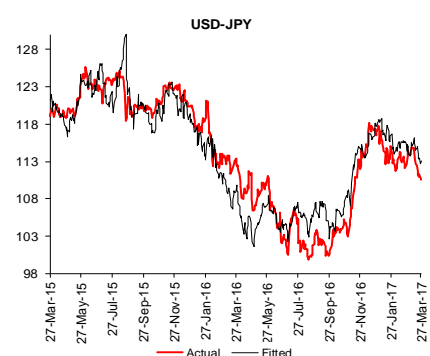


Source: OCBC Bank, Bloomberg

G7

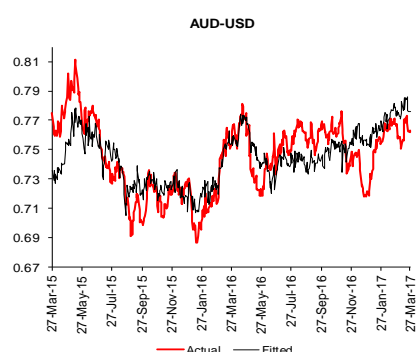
Source: OCBC Bank

- **EUR-USD** EUR-USD traded briefly above 1.0900 to 1.0904 on the back of a weak broad dollar and a better than expected German Ifo reading. The pair is looking slightly stretched to the upside relative to its short term implied valuations but a sustained breach above the 200-day MA (1.0880) cannot be discounted given the current market demeanor towards the USD.



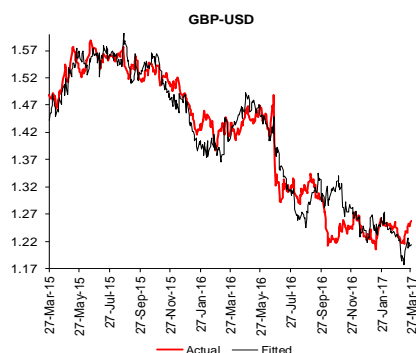
Source: OCBC Bank

- **USD-JPY** Despite the Fed's Kaplan (voter) being supportive of further rate hikes and proceedings from the March BOJ MPC demonstrating a still accommodative posture, USD-JPY may continue to mull a heavy 110.00-111.00 range with short term implied valuations still looking repressed. At this juncture, a test towards 110.00 remains fair game.



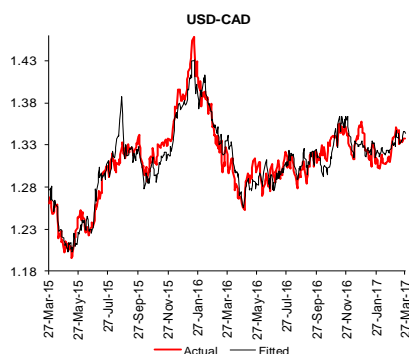
Source: OCBC Bank

- **AUD-USD** As alluded to above, despite the weakened state of the greenback, we are wary of chasing the AUD-USD at this juncture, with static short term implied valuations for the pair underscoring our caution. In the interim, the 0.7600 floor may remain (counter intuitively) under threat.



Source: OCBC Bank

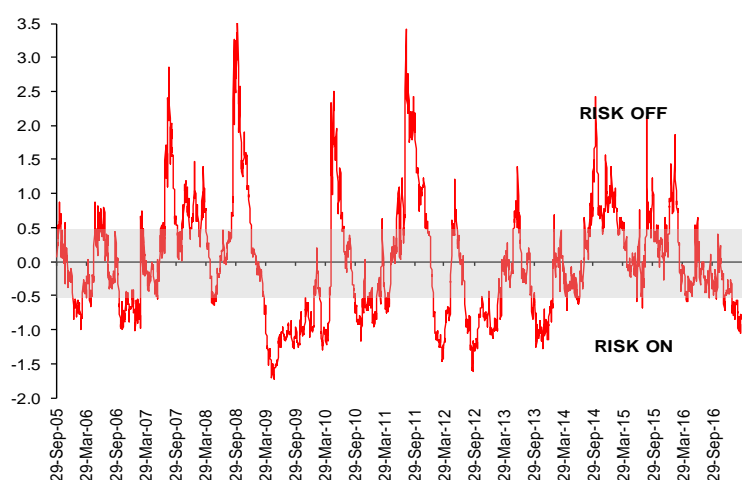
- **GBP-USD** The GBP-USD tested above 1.2600 temporarily to 1.2615 on a crumbling Trump narrative on Monday. Going ahead, headline risk for the pair is expected on Wednesday when PM May triggers A50. In the interim, despite the pair stretching its short term implied upper bounds, US-centric dollar negativity may supersede structural negatives, permitting some headroom to take another stab above 1.2600 towards 1.2670.



Source: OCBC Bank

- USD-CAD** USD-CAD ended flat to slightly higher on fragile crude prices and the pair may remain supported ahead of the BOC's Poloz today (1410 GMT and 1510 GMT). Retain a preference to collect dips in the pair.

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	0.631	0.456	0.647	-0.827	0.478	0.912	0.653	-0.402	-0.641	0.653	-0.969
CHF	0.984	0.656	0.485	0.585	-0.823	0.432	0.924	0.631	-0.406	-0.621	0.734	-0.957
MYR	0.917	0.730	0.578	0.642	-0.813	0.290	0.923	0.500	-0.414	-0.681	0.604	-0.838
JPY	0.912	0.855	0.678	0.678	-0.719	0.185	1.000	0.425	-0.559	-0.669	0.717	-0.829
SGD	0.905	0.789	0.555	0.412	-0.756	0.176	0.916	0.422	-0.309	-0.564	0.812	-0.860
INR	0.895	0.406	0.152	0.525	-0.942	0.669	0.764	0.820	-0.235	-0.586	0.516	-0.921
TWD	0.866	0.824	0.709	0.641	-0.819	0.261	0.942	0.491	-0.554	-0.683	0.670	-0.781
KRW	0.855	0.747	0.618	0.624	-0.822	0.247	0.895	0.475	-0.518	-0.703	0.667	-0.758
THB	0.795	0.892	0.749	0.576	-0.652	-0.015	0.947	0.266	-0.458	-0.554	0.630	-0.711
IDR	0.748	0.721	0.547	0.638	-0.722	0.136	0.853	0.336	-0.404	-0.689	0.484	-0.633
CCN12M	0.728	0.789	0.684	0.502	-0.595	0.046	0.878	0.219	-0.539	-0.563	0.698	-0.587
CNH	0.653	0.721	0.638	0.214	-0.370	-0.006	0.717	0.185	-0.467	-0.453	1.000	-0.614
USGG10	0.631	1.000	0.863	0.431	-0.372	-0.289	0.855	-0.072	-0.532	-0.489	0.721	-0.468
PHP	0.535	0.398	0.321	0.123	-0.624	0.084	0.493	0.245	0.017	-0.291	0.431	-0.495
CAD	0.527	0.738	0.586	-0.067	-0.396	-0.310	0.582	-0.098	-0.168	-0.212	0.801	-0.409
CNY	0.456	0.863	1.000	0.400	-0.122	-0.401	0.678	-0.236	-0.621	-0.375	0.638	-0.260
NZD	-0.276	-0.811	-0.769	0.065	0.075	0.588	-0.498	0.357	0.364	0.235	-0.709	0.137
AUD	-0.588	-0.587	-0.321	0.062	0.616	0.072	-0.561	-0.154	0.052	0.294	-0.664	0.518
GBP	-0.906	-0.851	-0.727	-0.588	0.705	-0.131	-0.973	-0.392	0.505	0.576	-0.755	0.826
EUR	-0.969	-0.468	-0.260	-0.574	0.840	-0.606	-0.829	-0.760	0.250	0.565	-0.614	1.000

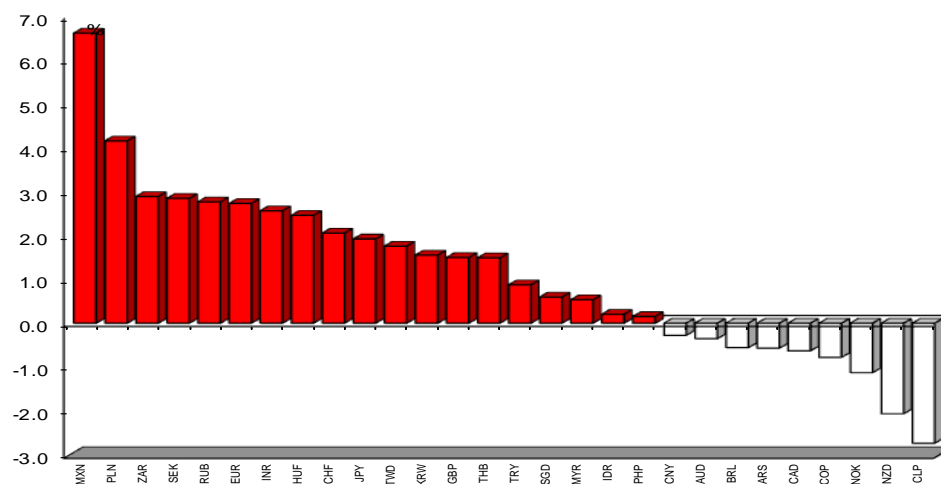
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0672	1.0800	1.0864	1.0878	1.0900
GBP-USD	1.2420	1.2500	1.2563	1.2600	1.2605
AUD-USD	0.7600	0.7622	0.7629	0.7700	0.7746
NZD-USD	0.6890	0.7000	0.7042	0.7100	0.7125
USD-CAD	1.3269	1.3300	1.3383	1.3400	1.3506
USD-JPY	110.11	110.12	110.65	111.00	113.21
USD-SGD	1.3903	1.3909	1.3942	1.4000	1.4118
EUR-SGD	1.5100	1.5113	1.5146	1.5171	1.5192
JPY-SGD	1.2469	1.2600	1.2601	1.2631	1.2659
GBP-SGD	1.7141	1.7500	1.7515	1.7538	1.7545
AUD-SGD	1.0598	1.0600	1.0636	1.0700	1.0764
Gold	1200.00	1225.96	1253.70	1263.93	1264.90
Silver	17.54	18.00	18.08	18.10	18.11
Crude	47.01	47.90	47.96	48.00	52.00

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

Source: OCBC Bank

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	01-Mar-17	B	USD-CAD	1.3326	1.3605	1.3185	BOC static in March, sharp contrast with Fed's recent posture	
2	17-Mar-17	B	EUR-USD	1.0766	1.1000	1.0645	Dutch election news flow, abating le Pen concerns, weekend USD	
3	17-Mar-17	S	USD-SGD	1.4029	1.3800	1.4145	Vulnerable USD, positive risk appetite, tolerant MAS	
4	22-Mar-17	S	USD-JPY	111.62	108.40	113.25	Trump trade unwind, mild risk aversion	
5	27-Mar-17	B	GBP-USD	1.2570	1.2925	1.2390	Spillover from buoyant EUR-USD, GBP shorts wrong footed	
	STRUCTURAL							
6	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
7	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	
8	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	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	25-Jan-17	01-Mar-17	B	GBP-USD	1.2528	1.2383	Subsidence of acute A50 concerns in the short term	-1.26
2	12-Jan-17	02-Mar-17	B	AUD-USD	0.7463	0.7560	Reflation may dominate as the Trump trade pauses	+1.35
3	20-Jan-17	02-Mar-17	S	USD-SGD	1.4240	1.4125	Potential for Trump's inauguration to disappoint USD bulls	+0.81
4	12-Jan-17	08-Mar-17	S	USD-JPY	114.63	113.91	Downward consolidation post-Trump press conference	+0.31
5	22-Feb-17	10-Mar-17	S	EUR-USD	1.0548	1.0695	Potential near term USD strength, brewing EZ political risks	-1.30
6	10-Mar-17	15-Mar-17	S	AUD-USD	0.7519	0.7605	Compression in cyclical vs. USD strength	
7	25-Oct-16	20-Mar-17	B	USD-SGD	1.3919	1.3984	Bullish dollar prospects, negative space for SGD NEER	+0.54
8	03-Mar-17	20-Mar-17	S	GBP-USD	1.2253	1.2435	Sustained Brexit risks vs. recent USD resilience	-1.46
9	28-Nov-16	27-Mar-17	S	EUR-USD	1.0641	1.0843	USD in ascendance, poiltical risk premium in EZ	-1.04
	* realized							
	Jan-Feb 2017 Return							-7.14
	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.
