

Friday, June 30, 2017

FX Themes/Strategy/Trading Ideas

- Except against the JPY, despite firmer UST yields, the USD continued to soften against its G10 counterparts on Thursday as the BOE's Haldane (GBP-USD > 1.3000 early Friday) continued to chime in with hawkish rhetoric. Wednesday's comments from the Bank of Canada's Poloz and Paterson (USD-CAD < 1.3000 early Friday with the loonie also weighed further by crude) also continued to underpin the CAD.
- The EUR-USD also reached higher on the back of warmer than expected June German CPI readings and EZ confidence indicators, and despite an attempt by the ECB's Weidmann to play down perceived hawkishness. The Fed's Bullard meanwhile reiterated the mantra that current rates remained appropriate while the CBO (Congressional Budget Office) unveiled softer than expected GDP forecasts. Elsewhere, USD-JPY however came off intra-day highs (in tandem with UST yields) to end lower on US equity weakness.
- Today's calendar includes China's June PMIs (0100 GMT), UK 1Q GDP numbers, EZ June CPI readings, US May PCE deflator, June Chicago PMI, as well as June Michigan consumer sentiment. Central bank speak is relatively sparse today except for the ECB's Lautenschlaeger (1030 GMT) and Coeure (1200 GMT).
- Overall, the **DX** sliced through 96.00 on Thursday in a hurry with 95.00 now in sight. **Re-calibration away from the greenback may remain the flavor of the day into the end of the week.** A potential caveat is that any deeper contagion from potential equity negativity may crimp risk appetite levels. To this end, the North Asian currencies like the KRW and TWD may remain relatively disadvantaged despite generalized USD weakness.
- Following Carney's latest comments, our 12 June 17 idea to be tactically short **GBP-USD** (spot ref: 1.2760) was stopped out on 28 June 17 at 1.2915 for an implied -1.13% loss.
- Our 23 May 17 idea to be tactically short **USD-CAD** (spot ref: 1.3494) filled its second objective of 1.3045 on 28 June 17. With the broad USD still on the defensive and amidst a positive risk appetite/crude environment, we extend our objective to 1.2825, trailing the stop to 1.3155.

Treasury Research &
Strategy

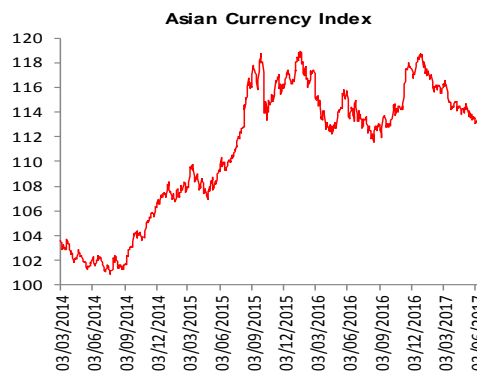
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Asian FX

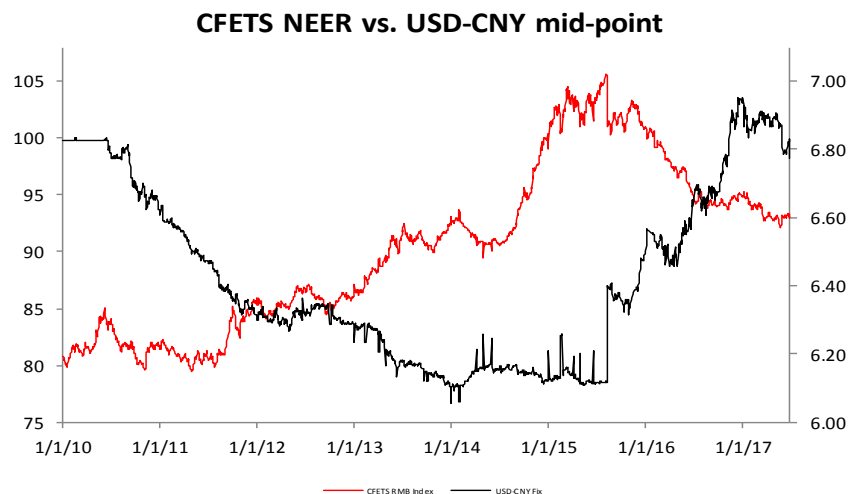
- Barring widespread investor caution, still supported risk appetite levels may continue to buffer EM/Asian FX in general. On a related note, the Asian net portfolio flow environment remains generally supportive except for the **INR**, where inflow momentum continues to moderate. Coupled with the above mentioned caveats for the **KRW** and **TWD**, the **ACI (Asian Currency Index)** may remain range bound if not slightly top heavy intra-day. On the risk appetite front, note that the **FXSI (FX Sentiment Index)** ventured back into **Risk-Neutral** territory on Thursday on the back of US equity weakness and as EM risk premiums ticked higher.
- **SGD NEER:** This morning, the SGD NEER is slightly firmer on the day at around +0.54% above its perceived parity (1.3860) with NEER-implied USD-SGD thresholds edging lower once again. Topside for the NEER may kick in towards +0.60% (1.3778) ahead of +0.70% (1.3764).



	SGD NEER	% deviation	USD-SGD
Current	124.90	0.52	1.3786
+2.00%	126.74		1.3588
Parity	124.26		1.3860
-2.00%	121.77		1.4143

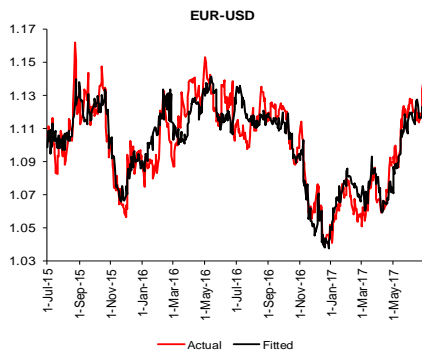
Source: OCBC Bank

- **CFETS RMB Index:** This morning, the USD-CNY mid-point dipped (as largely expected) to 6.7744 from 6.7940 on Thursday. This saw the CFETS RMB Index firming to 93.29 from 93.14 yesterday.



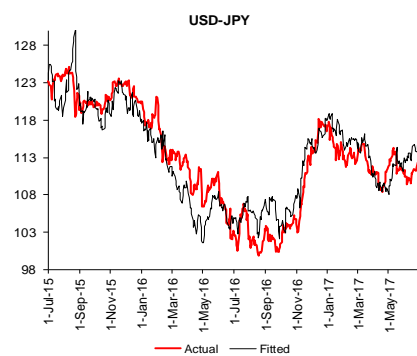
Source: OCBC Bank, Bloomberg

G7



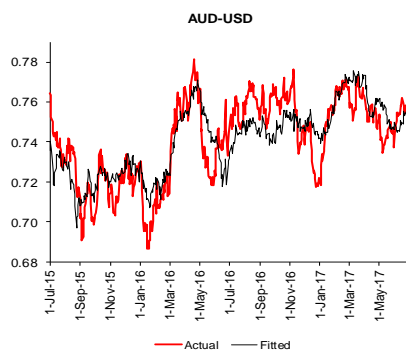
Source: OCBC Bank

- EUR-USD** The EUR-USD is outpacing its firming short term implied valuations and is trading slightly north of its implied confidence intervals. Nonetheless, despite some consolidation expected around 1.1450, expect dip buying to emerge in the current weak USD environment.



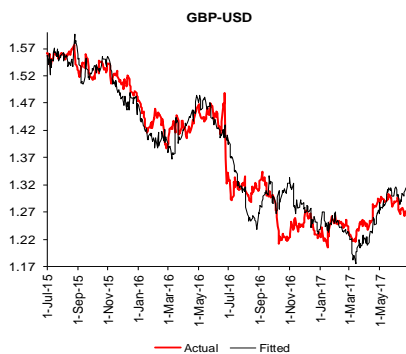
Source: OCBC Bank

- USD-JPY** USD-JPY may remain in a tussle between rate differential arguments and a slight wavering in investor sentiment. Short term implied valuations meanwhile remain supported for the pair and we continue to remain constructive on the USD-JPY barring aggravated risk aversion. In the interim, the pair is seen bordered by the 55-day MA (111.30) and 112.75 up top.



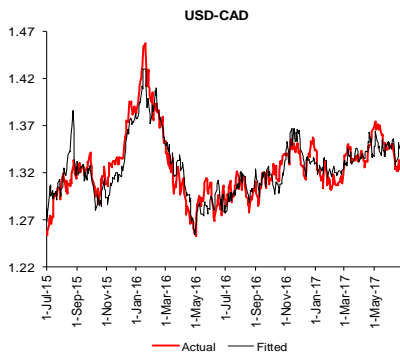
Source: OCBC Bank

- AUD-USD** The AUD-USD received another boost this morning from the better than expected China June manufacturing PMI and investors are now increasingly expectant towards next Tuesday's RBA meeting after this week's global central bank-inspired volatility. Short term implied valuations continue to lift for the AUD-USD and the 0.7700 resistance may continually be challenged, ahead of 0.7750.



Source: OCBC Bank

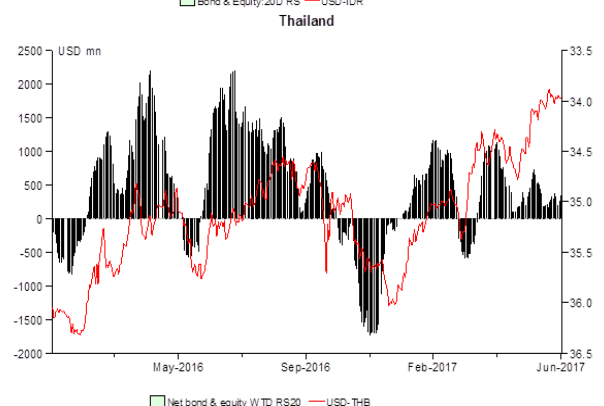
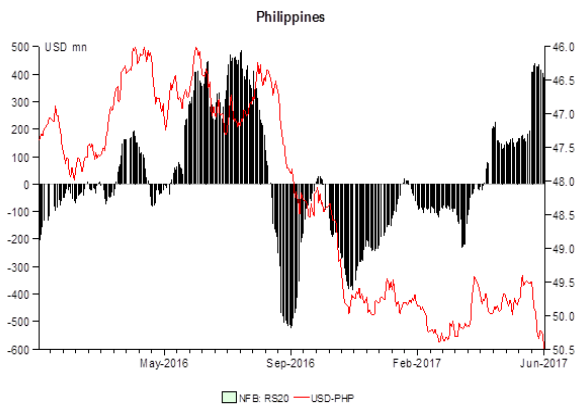
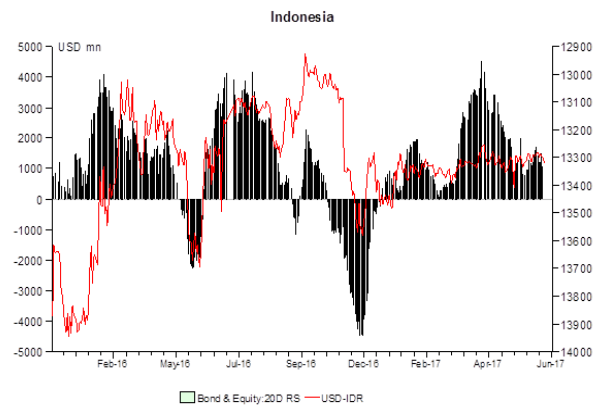
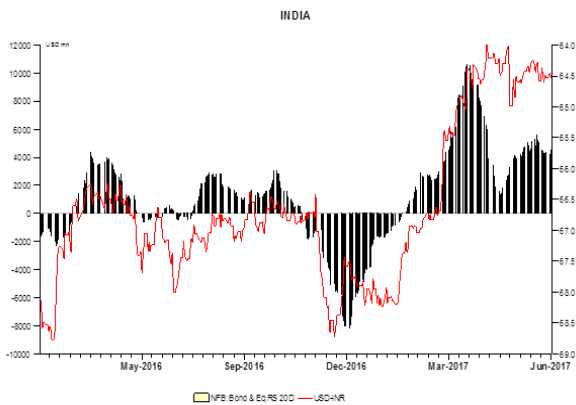
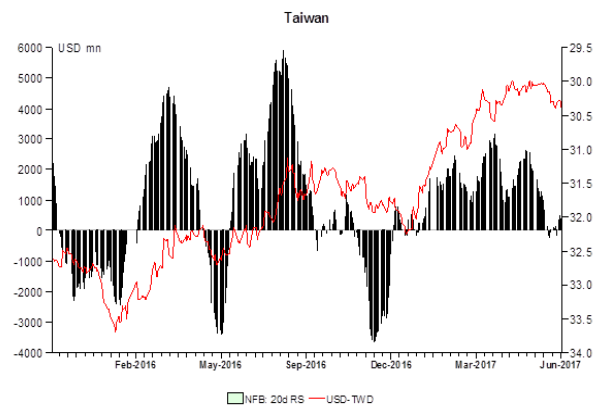
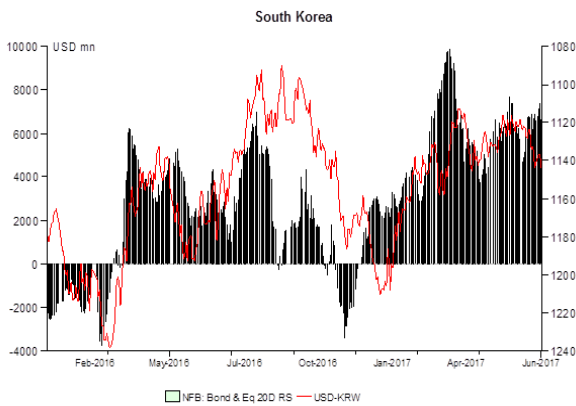
- GBP-USD** Hawkish rhetoric from BOE officials this week may continue to see the 1.3000/50 zone being challenged with the GBP-USD in pursuit of strengthening short term implied valuations.



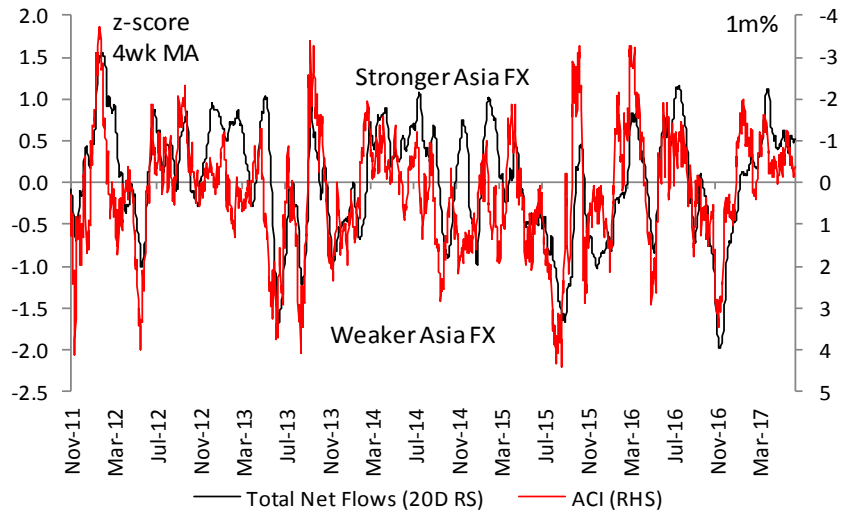
- USD-CAD** Investors are now getting hyped over the prospect of a potential rate hike by the BOC next month following hawkish comments from the central bank this week. Not surprisingly, short term implied valuations have continue to slump in recent sessions with the pair now contemplating a sustained breach of 1.3000 towards 1.2830.

Source: OCBC Bank

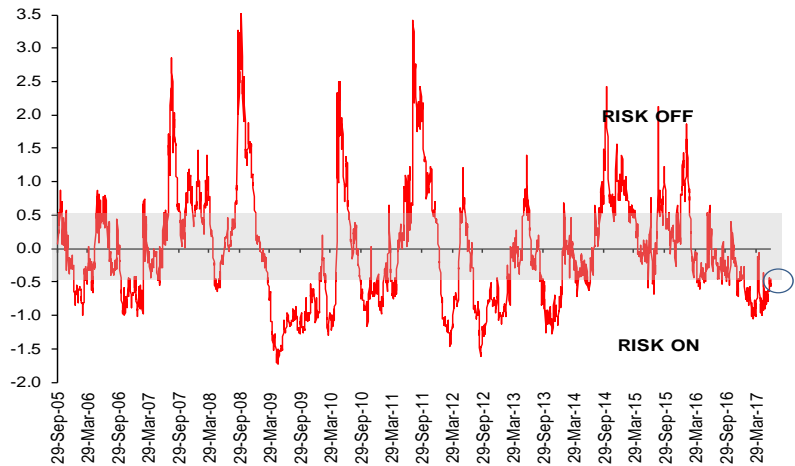
USD-Asia VS. Net Capital Flows



ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	-0.560	0.651	0.306	-0.220	-0.194	-0.123	-0.260	-0.125	-0.394	0.426	-0.983
CHF	0.935	-0.464	0.529	0.264	-0.290	-0.120	-0.189	-0.149	-0.098	-0.377	0.398	-0.956
CNY	0.651	-0.487	1.000	0.224	0.198	-0.623	0.465	-0.562	-0.289	-0.521	0.685	-0.548
SGD	0.636	-0.158	0.836	0.110	0.163	-0.532	0.429	-0.450	-0.020	-0.455	0.616	-0.579
CNH	0.426	-0.283	0.685	0.311	0.523	-0.766	0.500	-0.718	0.081	-0.765	1.000	-0.346
CCN12M	0.410	-0.341	0.402	0.502	0.438	-0.772	0.314	-0.782	0.249	-0.877	0.745	-0.382
CAD	0.282	-0.178	-0.074	-0.209	-0.622	0.690	-0.648	0.592	-0.375	0.672	-0.460	-0.457
TWD	0.133	-0.073	0.530	0.249	0.567	-0.919	0.727	-0.858	0.207	-0.815	0.831	-0.052
IDR	0.128	0.138	0.559	-0.576	-0.374	-0.002	0.319	0.124	-0.134	0.287	0.158	-0.005
THB	0.009	0.265	-0.136	-0.415	-0.561	0.673	-0.171	0.693	-0.229	0.699	-0.408	0.000
INR	-0.075	0.243	0.440	-0.408	-0.018	-0.275	0.686	-0.090	0.214	-0.073	0.417	0.172
KRW	-0.079	-0.003	0.434	0.182	0.616	-0.846	0.732	-0.751	0.212	-0.677	0.715	0.173
JPY	-0.123	0.309	0.465	-0.041	0.494	-0.569	1.000	-0.453	0.055	-0.385	0.500	0.330
MYR	-0.129	0.359	0.467	-0.148	0.224	-0.381	0.883	-0.228	-0.006	-0.145	0.369	0.257
NZD	-0.163	-0.149	0.156	0.392	0.807	-0.827	0.428	-0.812	0.276	-0.776	0.564	0.295
PHP	-0.195	0.290	0.414	-0.107	0.499	-0.705	0.876	-0.570	0.368	-0.467	0.592	0.303
AUD	-0.249	0.033	-0.049	0.281	0.679	-0.680	0.430	-0.680	0.434	-0.655	0.469	0.388
USGG10	-0.560	1.000	-0.487	-0.411	-0.015	0.324	0.309	0.345	0.339	0.368	-0.283	0.571
GBP	-0.769	0.450	-0.593	-0.355	-0.109	0.531	0.017	0.508	-0.241	0.759	-0.596	0.766
EUR	-0.983	0.571	-0.548	-0.330	0.275	0.123	0.330	0.152	0.131	0.361	-0.346	1.000

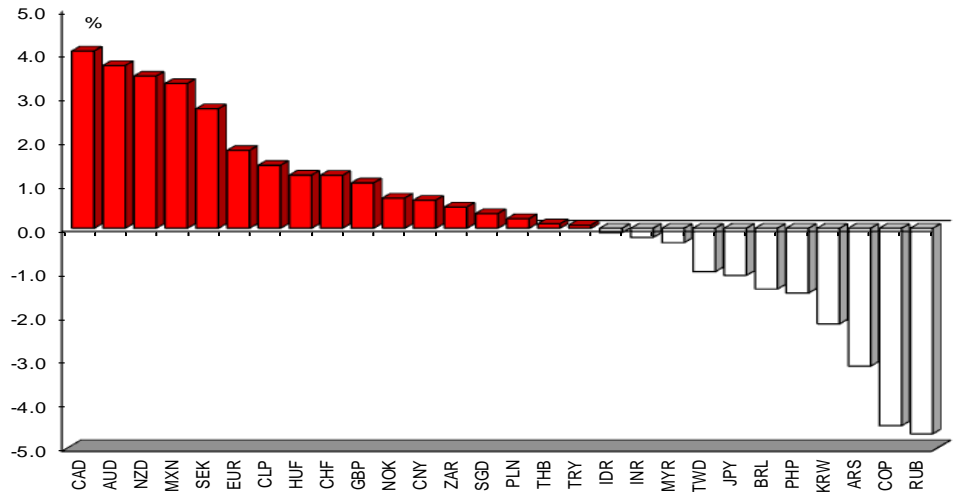
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1400	1.1418	1.1442	1.1445	1.1500
GBP-USD	1.2865	1.3000	1.3024	1.3042	1.3043
AUD-USD	0.7680	0.7700	0.7706	0.7712	0.7800
NZD-USD	0.7144	0.7300	0.7325	0.7327	0.7344
USD-CAD	1.2969	1.2973	1.2974	1.3000	1.3336
USD-JPY	111.15	111.51	111.99	112.00	112.78
USD-SGD	1.3709	1.3750	1.3781	1.3800	1.3893
EUR-SGD	1.5700	1.5757	1.5768	1.5793	1.5800
JPY-SGD	1.2282	1.2300	1.2309	1.2400	1.2458
GBP-SGD	1.7869	1.7900	1.7949	1.7975	1.8000
AUD-SGD	1.0569	1.0600	1.0620	1.0622	1.0631
Gold	1239.70	1241.44	1245.40	1256.09	1292.32
Silver	16.23	16.50	16.58	16.60	16.91
Crude	42.05	45.10	45.16	45.20	47.56

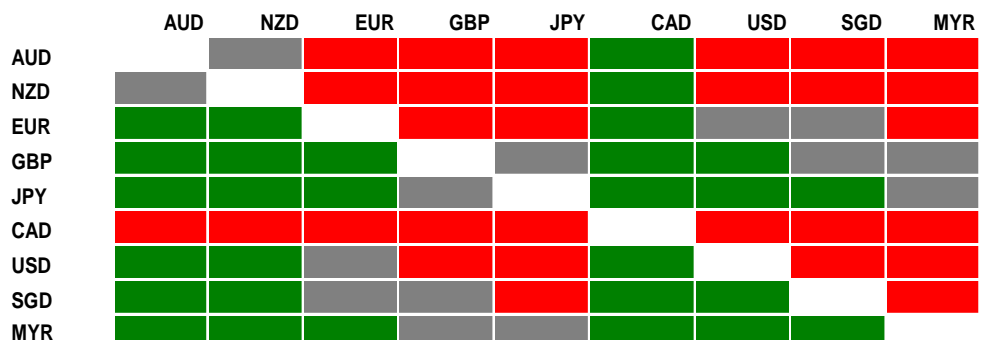
Source: OCBC Bank

FX performance: 1-month change agst USD



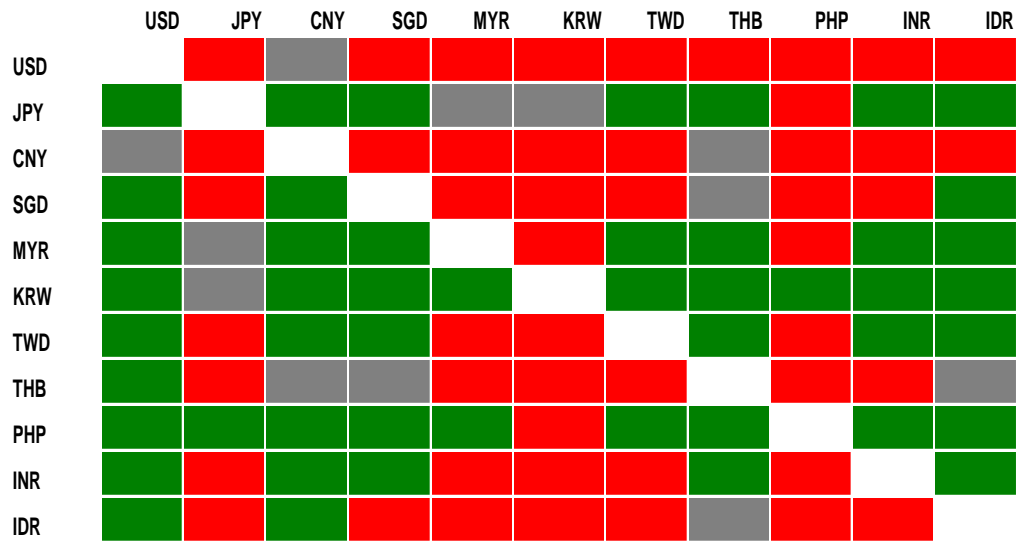
Source: Bloomberg

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		
TACTICAL								
1	23-May-17	S	USD-CAD	1.3494	1.2825 1.3155	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	28-Jun-17	B	USD-JPY	112.31	114.80 111.05	Yield differential argument supportive of the USD-JPY		
STRUCTURAL								
4	09-May-17	B	GBP-USD	1.2927	1.3500 1.2535	USD skepticism, UK snap elections, positioning 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	17-May-17	14-Jun-17	B	EUR-USD	1.1120	1.1209	Disappointing US data feed, reversal of political risk premiums	+0.63
2	24-May-17	15-Jun-17	S	USD-SGD	1.3899	1.3828	Supportive Asian portfolio inflow environment, soggy USD	+0.49
3	01-Jun-17	22-Jun-17	S	USD-JPY	111.00	111.16	Weak broad dollar disposition	-0.25
4	24-Apr-17	22-Jun-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**
5	12-Jun-17	28-Jun-17	S	GBP-USD	1.2760	1.2915	UK polticy cuncertainty/limbo	-1.13
* realized **of notional							Jan-May 2017 Return -17.04	
							2016 Return +6.91	

Source: OCBC Bank

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