

Monday, July 31, 2017
FX Themes/Strategy/Trading Ideas – The week ahead

- A disappointing US data feed (softer than expected headline 2Q GDP and ECI overshadowed better than expected July Michigan sentiment) and consequent easing of UST yields dragged the USD lower (except against the CHF) across G10 on Friday. On other fronts, USD-CAD took another dip lower post the better than expected 2Q GDP numbers. Elsewhere, shakier global equities kept the antipodeans on the defense against their peers while the USD-JPY dug lower following another ICBM launch by Pyongyang.
- In the immediate term, North Korean missile test static may continue to keep investors on edge in Asia and the **USD-JPY** (already weighed by USD vulnerability) top heavy at the onset of the week. After the warmer than expected German July CPI numbers on Friday, the **EUR-USD** may remain supported on dips ahead of the EZ CPI readings later today (0900 GMT). Expect investor attention to shy away partially given the North Korean tensions and slightly soggy risk appetite backdrop, with the cyclicals, /EM/Asians likely looking slightly nervous. Structurally however, the **DX** remains top heavy with the 93.00 support and the 200-week MA (92.33) in close proximity.
- The **data calendar** is packed with China official PMIs today (0100 GMT) kicking off the slew of global PMIs this week and culminating with the US July NFP on Friday. Central bank headlines meanwhile may also continue to invoke potential volatility, with the **RBA** policy meeting on Tuesday, **Fed speak** from Mester and Williams on Wednesday, and the **BOE's MPC** on Thursday (another Super Thursday with the MPC, press conference, as well as the BOE Quarterly Inflation Report. In Asia, the **RBI** is expected to ease its policy parameters on Wednesday.
- On the **CFTC** front, large non-commercial accounts increased their implied USD shorts in aggregate in the latest week while leveraged accounts continued to pare their implied long dollar bias (excluding JPY positioning however, leveraged accounts had increased their implied short dollar positioning for the second consecutive week). Elsewhere, asset managers also increased their net short dollar bias in the latest week.

Treasury Research &
Strategy

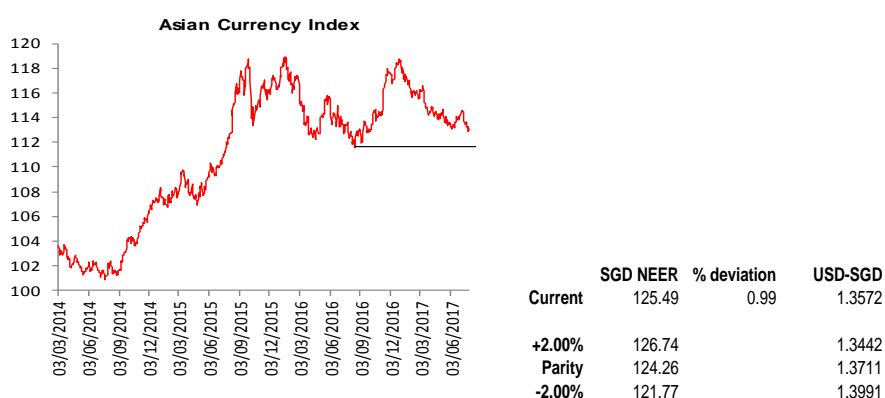
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Asian FX

- In Asia, **EPFR** data showed a slight dip in implied equity inflows in Asia (ex Japan, China) while implied net bond inflows increased slightly in the latest week. This squares with higher frequency data of late indicating lack of strong intent with respect to net portfolio inflows. Given the wobbly start to

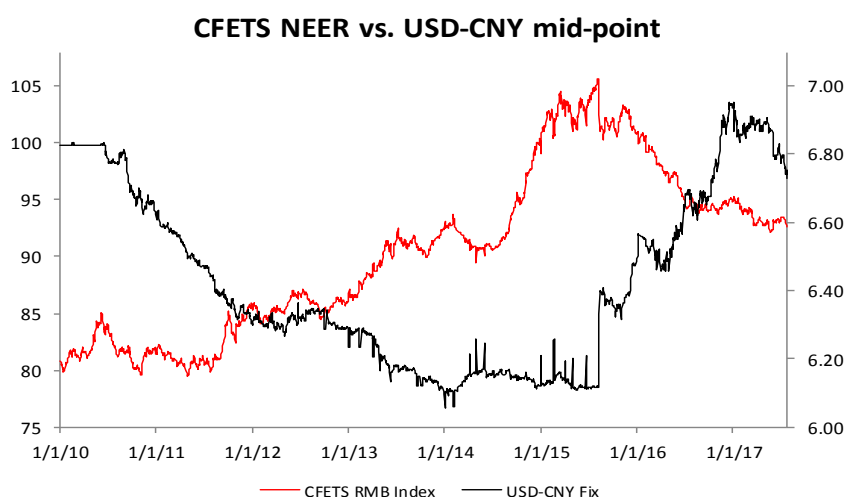
risk appetite (and Asian equities) at the beginning of the week, expect the regional pairs to be supported to potentially bid at this juncture. In sum, with the **FXSI (FX Sentiment Index)** blipping higher (fading positive risk appetite) perceptibly (but still within Risk-On territory) on Friday, look for the **ACI (Asian Currency Index)** to potentially tick higher (firmer USD) intra-day.

- SGD NEER:** This morning, the SGD NEER is relatively unchanged from last Friday at around +1.03% above its perceived parity (1.3711). Near universal USD weakness has resulted in a softer NEER-implied USD-SGD thresholds with +1.00% estimated at 1.3576 and this neighborhood may continue to serve as a near term locus. Beyond near term risk appetite considerations, note also that the 200-week MA resides at 1.3447 and this may attract if the broad USD continues to bleed multi-session.



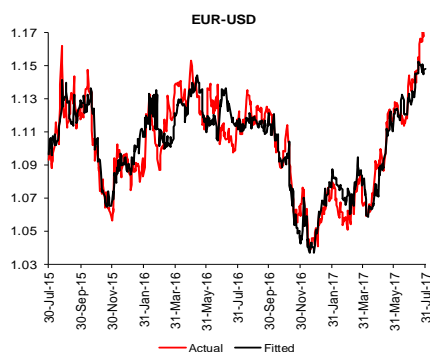
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point softened (as largely expected) this morning to 6.7283 from 6.7373 last Friday, lifting the CFETS RMB Index slightly to 92.75 from 92.74.



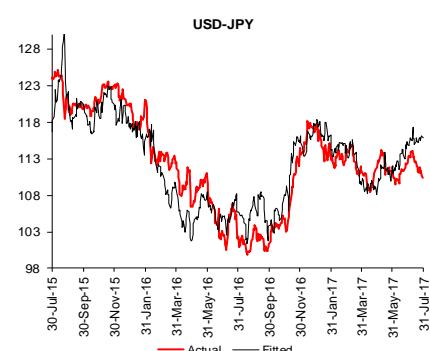
Source: OCBC Bank, Bloomberg

G7



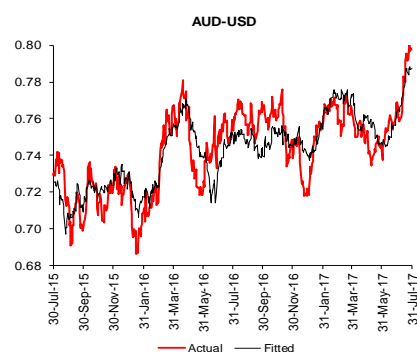
Source: OCBC Bank

- **EUR-USD** Short term implied valuations are attempting to inch higher again despite leveraged CFTC EUR longs being pared in the latest week. Note also tapering comments from the ECB's Lautenschlaeger on Saturday. Ahead of the July EZ CPI numbers today, expect some scope for some consolidation with the EUR-USD still north of its short term implied confidence intervals. Technically, the 200-week MA (1.1789) and 1.1800 resistance levels remain in play.



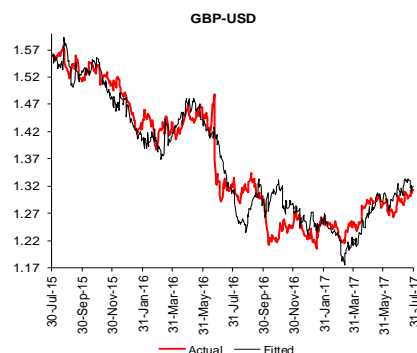
Source: OCBC Bank

- **USD-JPY** Macro and political (ongoing shakeup within the White House and with Obamacare still standing) baggage, coupled with potential risk aversion, may continue to keep the USD-JPY top heavy in line with its heavier short term implied valuations. Leveraged net CFTC JPY shorts were pared in the latest week and 110.00 may remain on the radar. Note however that the 200-week MA (111.25) has been violated, with the 55-week MA (109.72) up next.



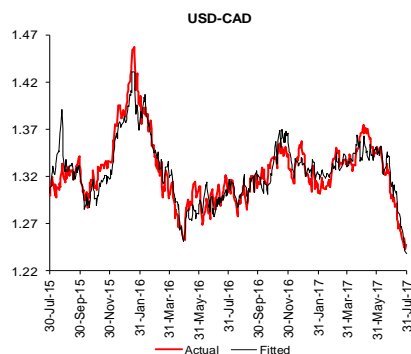
Source: OCBC Bank

- **AUD-USD** The July official China PMIs released this morning demonstrated some deterioration from the previous month but failed to dent regional sentiment appreciably. Short term implied valuations are off their recent highs despite net leveraged CFTC AUD longs being increased slightly in the latest week. Preference to collect into dips (circa 0.0.7940) instead with the 200-week MA (0.8005) seen capping in the interim ahead of the RBA.



Source: OCBC Bank

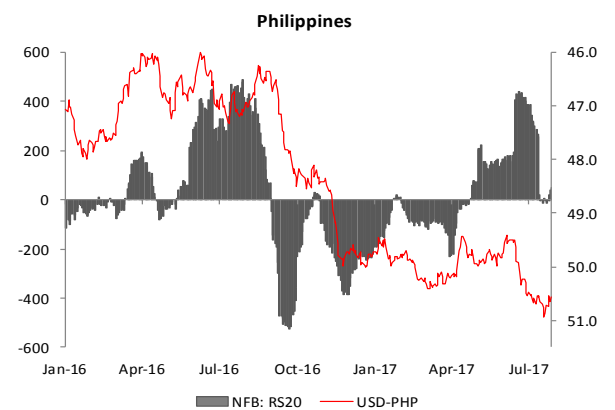
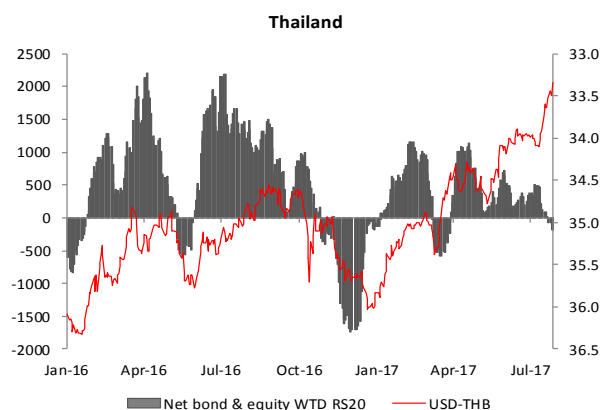
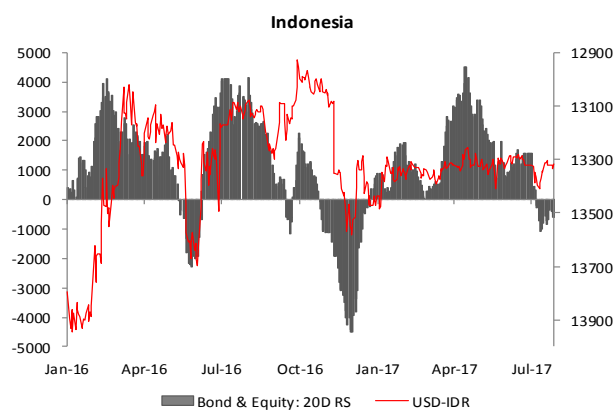
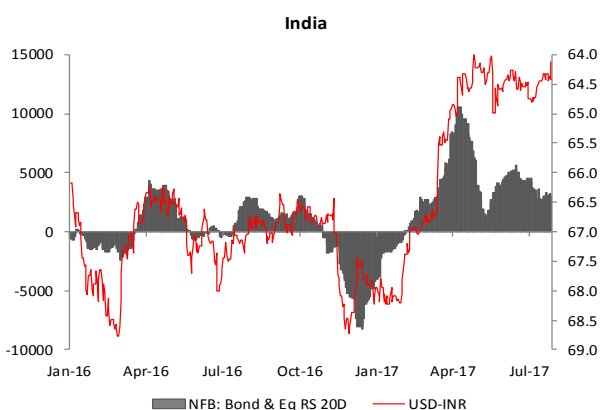
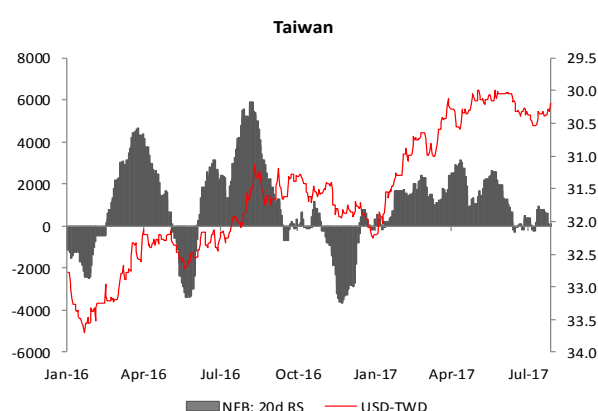
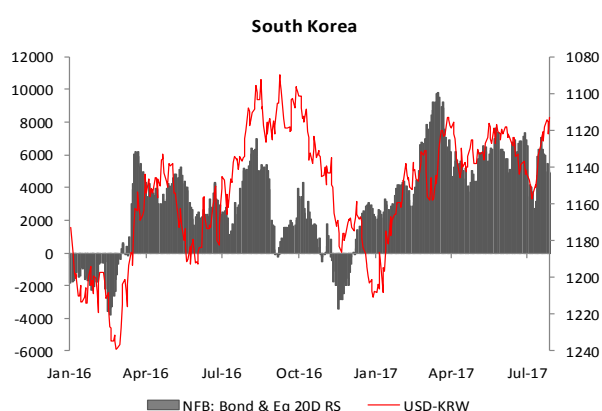
- **GBP-USD** Endemic dollar vulnerability may continue buoy the GBP-USD ahead of the BOE on Thursday and despite net leveraged CFTC GBP shorts jumping in the latest week. Expect some bottoming picking on approach of 1.3070 in the interim.

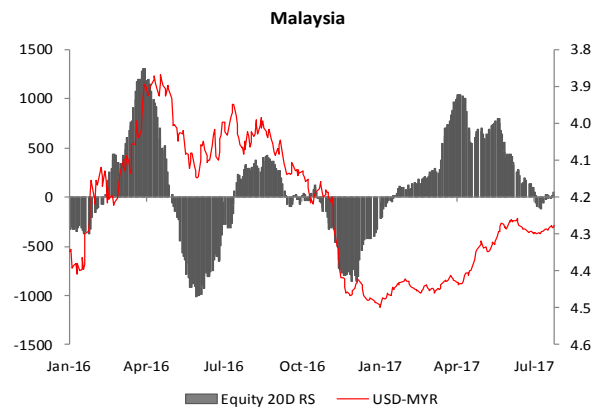


Source: OCBC Bank

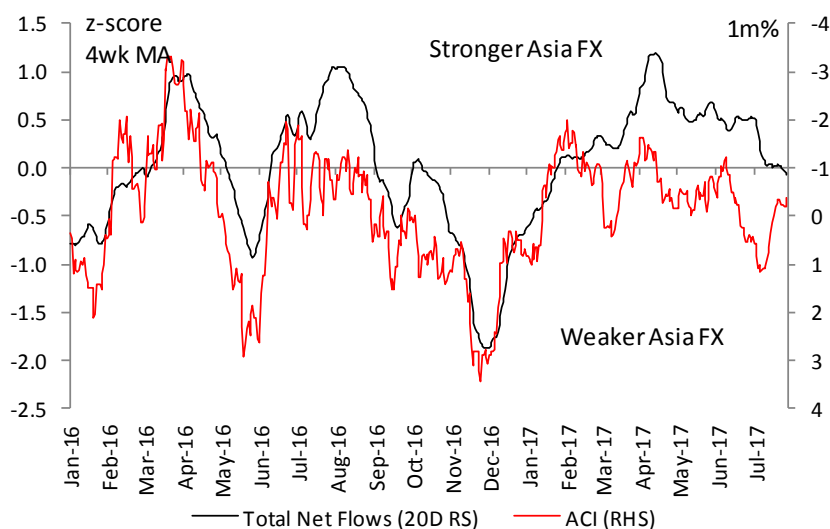
- USD-CAD** In the wake of last Friday's GDP boost, short term implied valuations for the USD-CAD have continued to slide. Despite net CFTC leveraged CAD longs jumping in the latest week, the pair is still seen top heavy without looking overly stretched to the downside just yet. Pending the 1.2400 floor, the convergence between the key 200-week MA (1.2388) and a long term technical trend line from 2012 continues to loom.

USD-Asia VS. Net Capital Flows

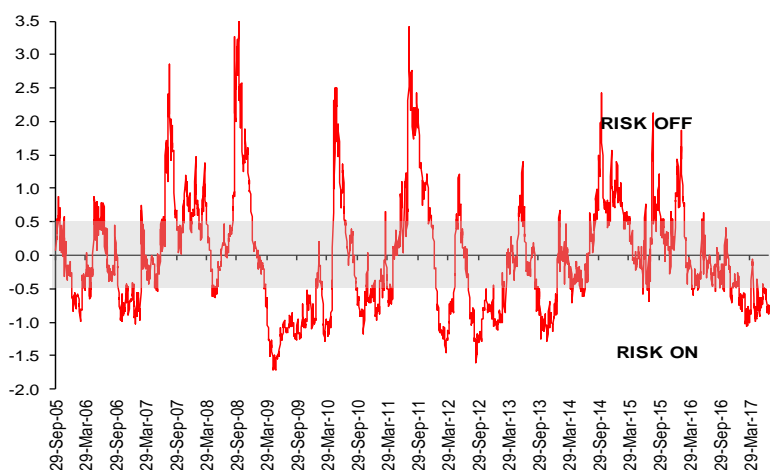




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1	0.747	0.925	-0.884	-0.921	-0.855	0.957	-0.797	0.678	0.854	0.95	-0.99
SGD	0.973	0.771	0.957	-0.94	-0.959	-0.862	0.96	-0.815	0.758	0.915	0.981	-0.947
JPY	0.957	0.823	0.92	-0.886	-0.9	-0.865	1	-0.815	0.665	0.919	0.947	-0.927
THB	0.952	0.755	0.938	-0.907	-0.921	-0.838	0.959	-0.751	0.729	0.914	0.943	-0.918
CNH	0.95	0.806	0.978	-0.94	-0.962	-0.873	0.947	-0.812	0.772	0.916	1	-0.912
CAD	0.947	0.751	0.934	-0.951	-0.943	-0.775	0.908	-0.727	0.837	0.846	0.955	-0.913
CNY	0.925	0.768	1	-0.927	-0.942	-0.874	0.92	-0.797	0.735	0.919	0.978	-0.876
MYR	0.918	0.723	0.936	-0.889	-0.909	-0.767	0.911	-0.733	0.727	0.854	0.926	-0.878
CCN12M	0.9	0.701	0.974	-0.913	-0.935	-0.842	0.871	-0.813	0.743	0.881	0.957	-0.858
KRW	0.887	0.789	0.951	-0.965	-0.964	-0.787	0.88	-0.679	0.845	0.919	0.933	-0.837
INR	0.852	0.622	0.884	-0.845	-0.875	-0.722	0.775	-0.608	0.724	0.747	0.876	-0.804
IDR	0.789	0.855	0.899	-0.899	-0.887	-0.724	0.874	-0.634	0.808	0.92	0.898	-0.706
USGG10	0.747	1	0.768	-0.781	-0.764	-0.592	0.823	-0.459	0.703	0.804	0.806	-0.701
TWD	0.723	0.583	0.861	-0.812	-0.831	-0.808	0.791	-0.836	0.668	0.871	0.845	-0.657
CHF	0.415	0.603	0.474	-0.535	-0.54	-0.238	0.408	0.035	0.526	0.489	0.377	-0.413
PHP	-0.215	-0.564	-0.299	0.268	0.3	0.136	-0.243	-0.084	-0.232	-0.286	-0.297	0.181
GBP	-0.809	-0.581	-0.82	0.742	0.78	0.816	-0.855	0.828	-0.532	-0.787	-0.876	0.766
AUD	-0.94	-0.809	-0.968	0.968	0.969	0.878	-0.923	0.785	-0.804	-0.931	-0.976	0.908
NZD	-0.941	-0.678	-0.853	0.846	0.853	0.862	-0.952	0.848	-0.609	-0.865	-0.898	0.935
EUR	-0.99	-0.701	-0.876	0.833	0.881	0.84	-0.927	0.791	-0.611	-0.807	-0.912	1

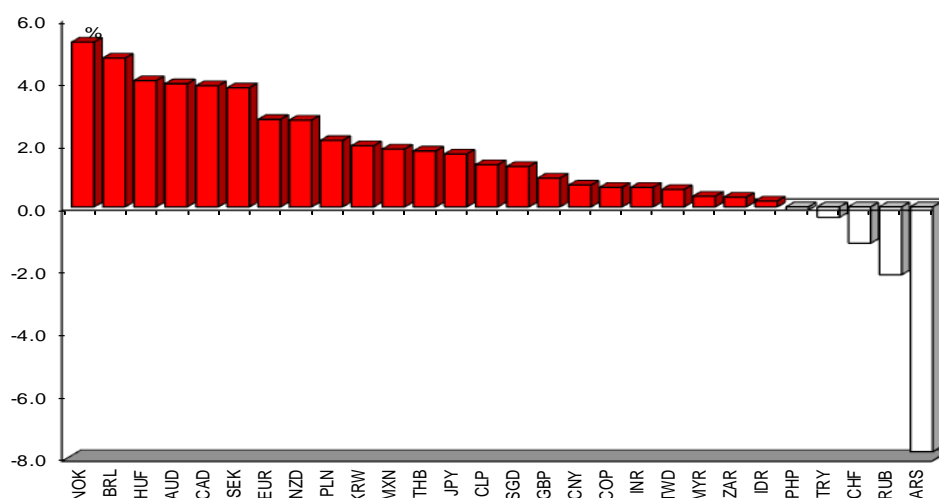
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1352	1.1700	1.1741	1.1777	1.1800
GBP-USD	1.2897	1.3100	1.3135	1.3159	1.3169
AUD-USD	0.7645	0.7900	0.7981	0.8000	0.8066
NZD-USD	0.7255	0.7500	0.7520	0.7548	0.7558
USD-CAD	1.2400	1.2414	1.2476	1.2500	1.3040
USD-JPY	110.10	110.31	110.45	111.00	111.59
USD-SGD	1.3502	1.3543	1.3571	1.3600	1.3778
EUR-SGD	1.5637	1.5900	1.5933	1.5967	1.5972
JPY-SGD	1.2200	1.2282	1.2287	1.2300	1.2347
GBP-SGD	1.7770	1.7800	1.7824	1.7900	1.7928
AUD-SGD	1.0589	1.0800	1.0830	1.0900	1.0933
Gold	1234.46	1251.47	1268.30	1274.16	1274.70
Silver	16.60	16.68	16.70	16.70	16.89
Crude	46.81	49.80	49.82	49.87	49.90

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											
JPY											
CNY											
SGD											
MYR											
KRW											
TWD											
THB											
PHP											
INR											
IDR											

Source: OCBC Bank

FX Trade Ideas

FX Trade Ideas									
	Inception		B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL								
1	23-May-17		S	USD-CAD	1.3494	1.2400	1.2720	USD skepticism, sanguine risk appetite, supported crude	
2	04-Jul-17		B	EUR-USD	1.1346	1.1965	1.1645	Draghi's change of stance in late June may further fuel the EUR	
3	13-Jul-17		B	AUD-USD	0.7708	0.8175	0.7935	Vulnerable USD, improving risk appetite, supportive China data	
4	18-Jul-17		S	USD-SGD	1.3671	1.3535	1.3740	Vulnerable USD, implicit inflow for SGD	
	STRUCTURAL								
5	09-May-17		B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
6	05-Jun-17			2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.024%				Increasingly endemic USD weakness, +ve risk appetite	
7	12-Jul-17			Bullish 2M 1X1.5 EUR-USD Call Spread Spot ref: 1.1455; Strikes: 1.1492, 1.1724; Exp: 12/09/17; Cost: 0.46%				ECB transitioning to neutral, Fed wavering	
8	12-Jul-17			Bearish 2M 1X1.5 USD-CAD Put Spread Spot ref: 1.2664; Strikes: 1.2653, 1.2415; Exp: 15/09/17; Cost: 0.50%				Hawkish BOC being increasingly priced in	
9	20-Jul-17			Bullish 2M 1X1.5 AUD-USD Call Spread Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65%				More positive than expected RBA minutes, supportive data, weak USD	
	RECENTLY CLOSED TRADE IDEAS								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)
1	08-Jun-17	04-Jul-17	B	AUD-USD	0.7550		0.7620	Supportive Aussie GDP and China trade numbers, steady risk appetite	+0.93
2	17-Jul-17	20-Jul-17	B	GBP-USD	1.3077		1.2935	BOE rhetoric and vulnerable USD	-1.11
3	28-Jun-17	21-Jul-17	B	USD-JPY	112.31		111.05	Yield differential argument supportive of the USD-JPY	-1.04
	* realized **of notional								
	Jan-Jun 2017 Return								-13.02
	2016 Return								+6.91

Source: OCBC Bank

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