

Thursday, May 10, 2018

**FX Themes/Strategy/Trading Ideas**

- Despite the 10y UST yield breaching and holding above 3.00%, outright USD strength stalled on Wednesday although the **DX** still managed to hold above 93.00.
- USD-CAD crashed below 1.2850 partially on crude gaining above 71.00 and despite ongoing Nafta uncertainty. Meanwhile, NZD-USD was pummeled as the RBNZ left its benchmark OCR unchanged at 1.75% as expected but Governor Orr came across as neutral, as opposed to being neutral/hawkish.
- Going ahead, aggregated rate differentials arguably remain supportive of the broad dollar (watch US April CPI at 1230 GMT) and investors will likely look to pounce on any perceived dovishness from the other core central banks. On this front, the BOE MPC (1100 GMT), and Carney's press conference (1130 GMT), and Inflation Report, will be closely watched for any lack of urgency with respect to a potential rate hike.
- On the Asian calendar, look also to China's April CPI/PPI data points, with BNM expected to remain static at 0700 GMT today. Meanwhile, investors are on the lookout for a policy tightening from the BSP today.
- Positive global equities/commodities managed to stave off a further deterioration of global risk appetite levels and the **FXSI (FX Sentiment Index)** managed to slip within **Risk-Neutral** territory.

Treasury Research &  
Strategy

**Emmanuel Ng**

+65 6530 4073

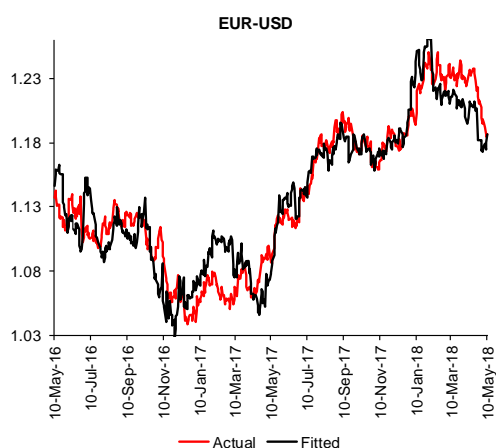
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

**Terence Wu**

+65 6530 4367

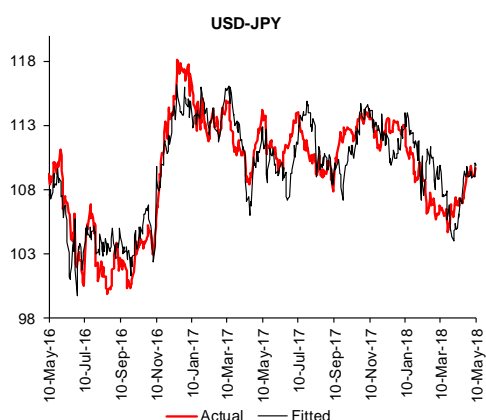
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

## G7



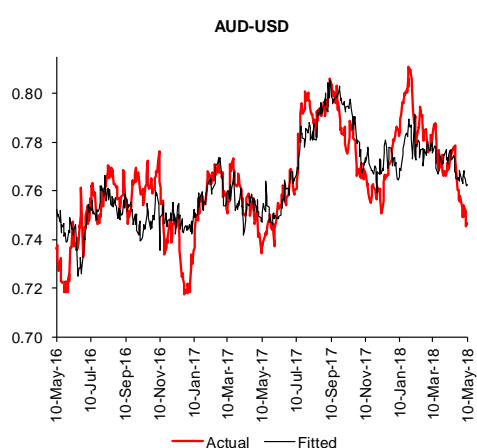
Source: OCBC Bank

- **EUR-USD** Investors may continue to fade rallies and the 1.1800 support is still expected to be vulnerable despite short term implied valuations attempting to stabilize.



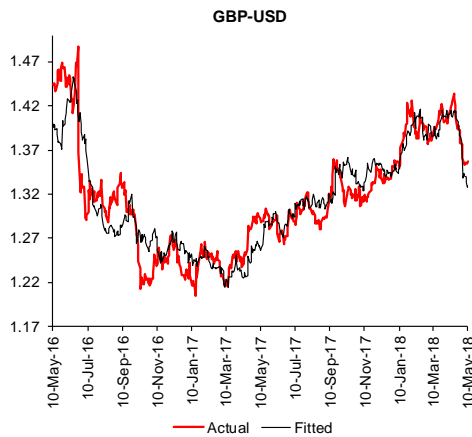
Source: OCBC Bank

- **USD-JPY** USD-JPY finally responded higher and barring a further deterioration of global risk appetite levels, the risk-reward may continue to favor a test towards the 200-day MA (110.20). Note that short term implied valuations for the pair have also ticked higher.

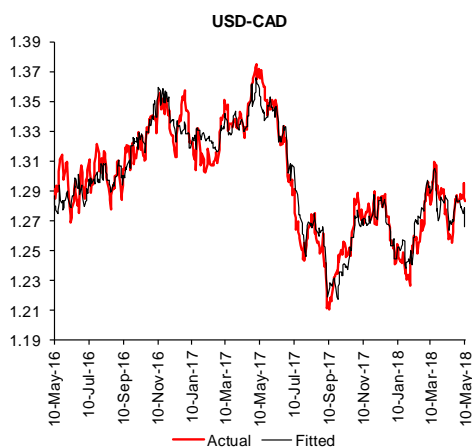


Source: OCBC Bank

- **AUD-USD** Expect some consolidative price action within 0.7400-0.7500, with short term implied valuations still looking top heavy. Next probable support beyond 0.7400 is expected towards 0.7380.



- **GBP-USD** Potential near term watershed for the GBP-USD today pending the BOE MPC. In the interim, the pair is expected to cling onto its 200-day MA (1.3547), with short term implied valuations still oriented south.



- **USD-CAD** Implicit support still resides at the 55-day MA (1.2830), and another breach may point towards 1.2780. Preference to stay top heavy on the pair at this juncture, especially with the oil complex lending implicit support for the loonie.

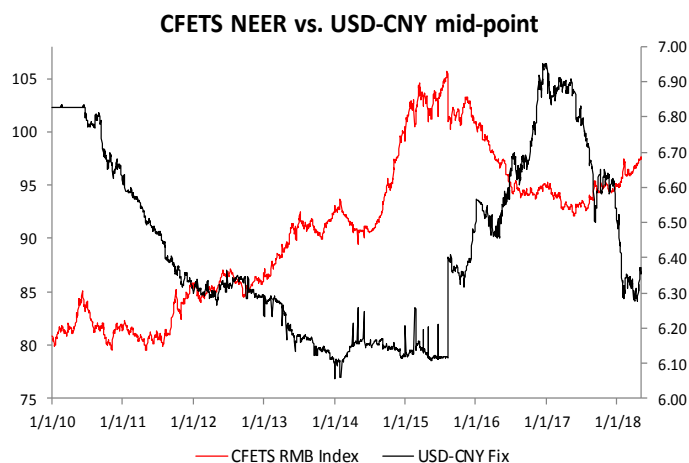
Source: OCBC Bank

## Asian FX

- In line with the cyclical from overnight, expect Asian currencies to receive a respite from a stronger dollar during the Asian session. As such, the **ACI (Asian Currency Index)** may stall on the upside in the interim, although elevated crude prices may temper any Asian resilience.
- From a flow perspective, net inflows for South Korea continue to moderate, while net outflows for Taiwan are persisting. Net outflows for Thailand, India and Indonesia remain on a deepening trend, and as stated previously, the compression of net outflows for the Philippines has stalled.
- **Indonesia:** BI reiterated again that it is preparing further measures to stabilize the FX and bond markets. Expect further intervention to support the IDR, and purchases on the secondary market to support bonds. An adjustment of the policy rate is also being considered.
- **SGD NEER:** The SGD NEER softened further to sub-parity levels and is currently at around -0.07% below its perceived parity (1.3443). Note that an early Thursday low of around -0.28% was printed. NEER-implied USD-SGD

thresholds are a touch softer on the day and expect a -0.30% (1.3484) to +0.10% (1.3429) is expected intra-day.

- CFETS RMB Index:** This morning, the USD-CNY mid-point printed at a largely expected 6.3768 from 6.3733 on Wednesday. This resulted in the CFETS RMB Index strengthening further to 97.67 from 97.63.



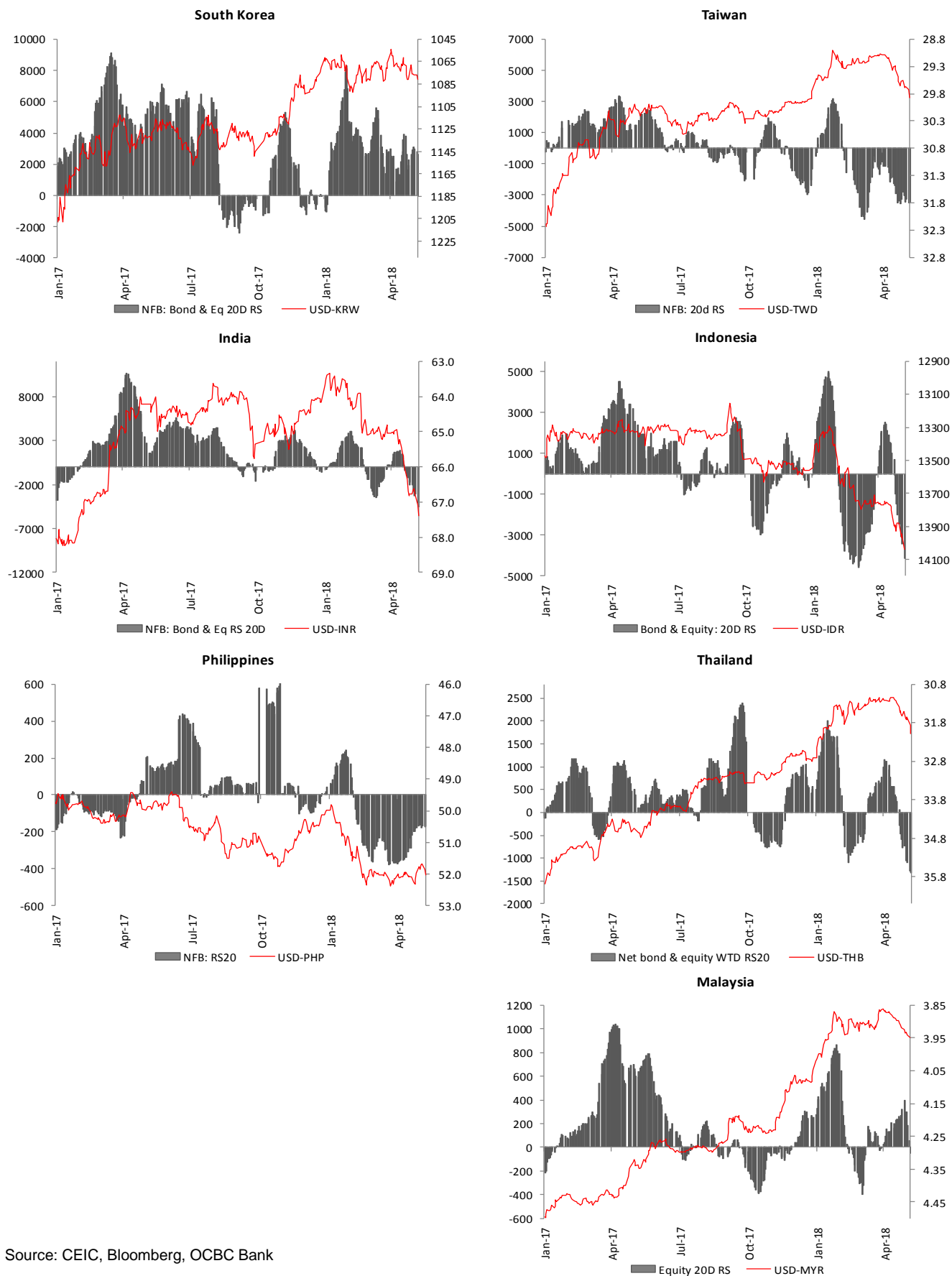
Source: OCBC Bank, Bloomberg

### **Short term Asian FX views**

Currency	Bias	Rationale
<b>USD-CNH</b>	↑	RRR cut, relative stability of RMB Index, RMB to shoulder potential volatility instead, watch US-Sino tensions
<b>USD-KRW</b>	↑	Easing tensions with the North, net portfolio inflow momentum recovering, inflation/current account surplus projection downgraded, BOK expected to remain neutral
<b>USD-TWD</b>	↑	Net equity outflows attempting to compress, new CBC governor non-hawkish
<b>USD-INR</b>	↑	RBI minutes more hawkish than expected, India placed on US Treasury's watchlist, net portfolio outflows stabilizing, less aggressive fiscal borrowing plans, wider than expected March trade deficit, warmer than expected March CPI, higher crude imposing drag on INR and govies
<b>USD-SGD</b>	↑	NEER hovering around parity; MAS steepens NEER slope in April, pair buffeted by global trade tension headlines, responding to firmer DXY
<b>USD-MYR</b>	↑	BNM expected to remain static this week; surprise defeat for the ruling BN coalition; neutral to rich valuation compared to peers on foreign reserves and current account measures, note initial market-implied caution towards election results
<b>USD-IDR</b>	↑	Disappointing GDP numbers, Rating upgrade from Moodys to Baa2, short term vol premium widening, fundamentals intact, net portfolio outflows deepening, carry strategy under reassessment
<b>USD-THB</b>	↑	BOT remains accommodative, net portfolio outflow balance, inflation inching higher back into BOT's target range.
<b>USD-PHP</b>	↔	Net equity outflows, BSP expected to hike policy rates this week

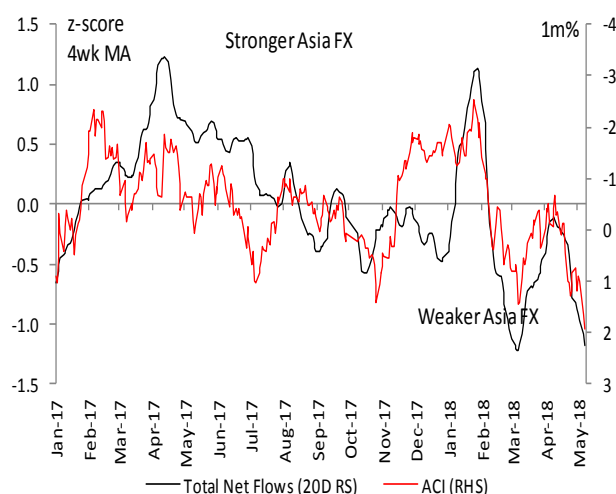
Source: OCBC Bank

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

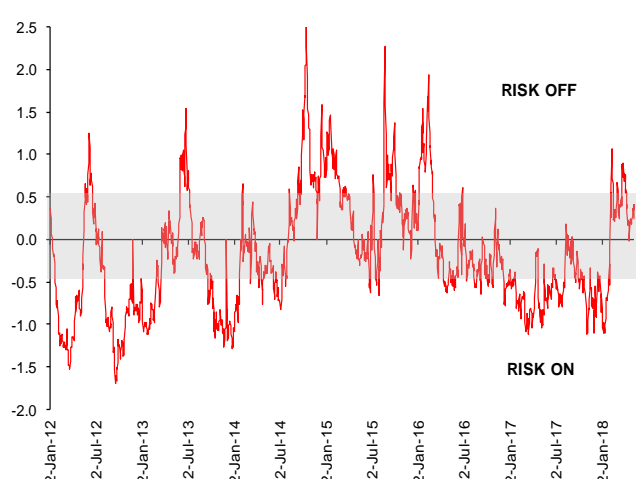


Source: CEIC, Bloomberg, OCBC Bank

**ACI VS. Net Capital Flows****FX Sentiment Index**



Source: OCBC Bank



Source: OCBC Bank

**1M Correlation Matrix**

	DXY	USGG10	CNY	SPX	MSELCAFP	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.764	0.988	-0.230	0.196	0.701	0.923	0.753	-0.649	-0.386	0.975	-0.995
CNY	0.988	0.742	1.000	-0.214	0.014	0.662	0.921	0.729	-0.616	-0.343	0.984	-0.984
CHF	0.985	0.813	0.972	-0.147	0.134	0.784	0.924	0.787	-0.730	-0.495	0.959	-0.973
CNH	0.975	0.714	0.984	-0.224	0.142	0.642	0.897	0.713	-0.615	-0.357	1.000	-0.981
MYR	0.972	0.738	0.959	-0.227	-0.021	0.761	0.866	0.777	-0.717	-0.513	0.941	-0.965
SGD	0.971	0.790	0.967	-0.185	0.129	0.673	0.921	0.787	-0.647	-0.353	0.965	-0.977
THB	0.967	0.711	0.950	-0.064	0.102	0.687	0.866	0.808	-0.696	-0.408	0.947	-0.974
IDR	0.952	0.820	0.931	-0.116	0.102	0.717	0.882	0.819	-0.647	-0.339	0.914	-0.950
TWD	0.939	0.845	0.933	-0.132	-0.066	0.725	0.937	0.762	-0.711	-0.494	0.918	-0.929
JPY	0.923	0.876	0.921	-0.358	0.052	0.583	1.000	0.629	-0.532	-0.365	0.897	-0.901
INR	0.921	0.902	0.913	-0.089	-0.159	0.758	0.928	0.813	-0.687	-0.433	0.888	-0.895
CAD	0.898	0.917	0.900	-0.319	0.005	0.647	0.926	0.655	-0.526	-0.320	0.854	-0.861
USGG10	0.764	1.000	0.742	-0.190	-0.132	0.651	0.876	0.663	-0.536	-0.354	0.714	-0.722
KRW	0.726	0.664	0.769	-0.268	-0.361	0.375	0.789	0.522	-0.376	-0.197	0.743	-0.734
PHP	-0.444	0.142	-0.412	0.167	-0.467	-0.313	-0.178	-0.235	0.285	0.225	-0.422	0.464
NZD	-0.966	-0.882	-0.955	0.277	-0.077	-0.692	-0.967	-0.721	0.614	0.417	-0.932	0.943
AUD	-0.976	-0.848	-0.968	0.310	-0.140	-0.630	-0.966	-0.693	0.574	0.345	-0.945	0.961
GBP	-0.983	-0.746	-0.965	0.265	-0.248	-0.711	-0.895	-0.734	0.607	0.354	-0.955	0.970
EUR	-0.995	-0.722	-0.984	0.207	-0.216	-0.684	-0.901	-0.758	0.645	0.365	-0.981	1.000

Source: Bloomberg

**Technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1800	1.1823	1.1865	1.1900	1.2019
GBP-USD	1.3500	1.3547	1.3568	1.3600	1.3953
AUD-USD	0.7400	0.7412	0.7469	0.7500	0.7685
NZD-USD	0.6900	0.6917	0.6923	0.7000	0.7157
USD-CAD	1.2644	1.2800	1.2832	1.2837	1.2900
USD-JPY	107.27	109.00	109.70	110.00	110.04
USD-SGD	1.3383	1.3400	1.3442	1.3487	1.3490
EUR-SGD	1.5876	1.5900	1.5948	1.6000	1.6079
JPY-SGD	1.2147	1.2200	1.2253	1.2294	1.2295
GBP-SGD	1.8121	1.8200	1.8238	1.8300	1.8399
AUD-SGD	0.9966	1.0000	1.0039	1.0100	1.0134
Gold	1302.30	1304.47	1313.70	1327.51	1354.61
Silver	16.00	16.40	16.46	16.49	16.50
Crude	71.27	71.70	71.73	71.75	71.80

Source: OCBC Bank

**G10 FX Heat Map**

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD		2	1	1	2	1	1	9	1
NZD	2		2	1	1	1	1	1	1
EUR	1	2		2	1	1	1	1	1
GBP	1	1	2		1	1	1	1	1
JPY	2	1	1	1		2	2	1	1
CAD	1	1	1	1	2		2	2	2
USD	1	1	1	1	2	2		2	2
SGD	9	1	1	1	1	2	2		9
MYR	1	1	1	1	1	2	2	9	

Source: OCBC Bank

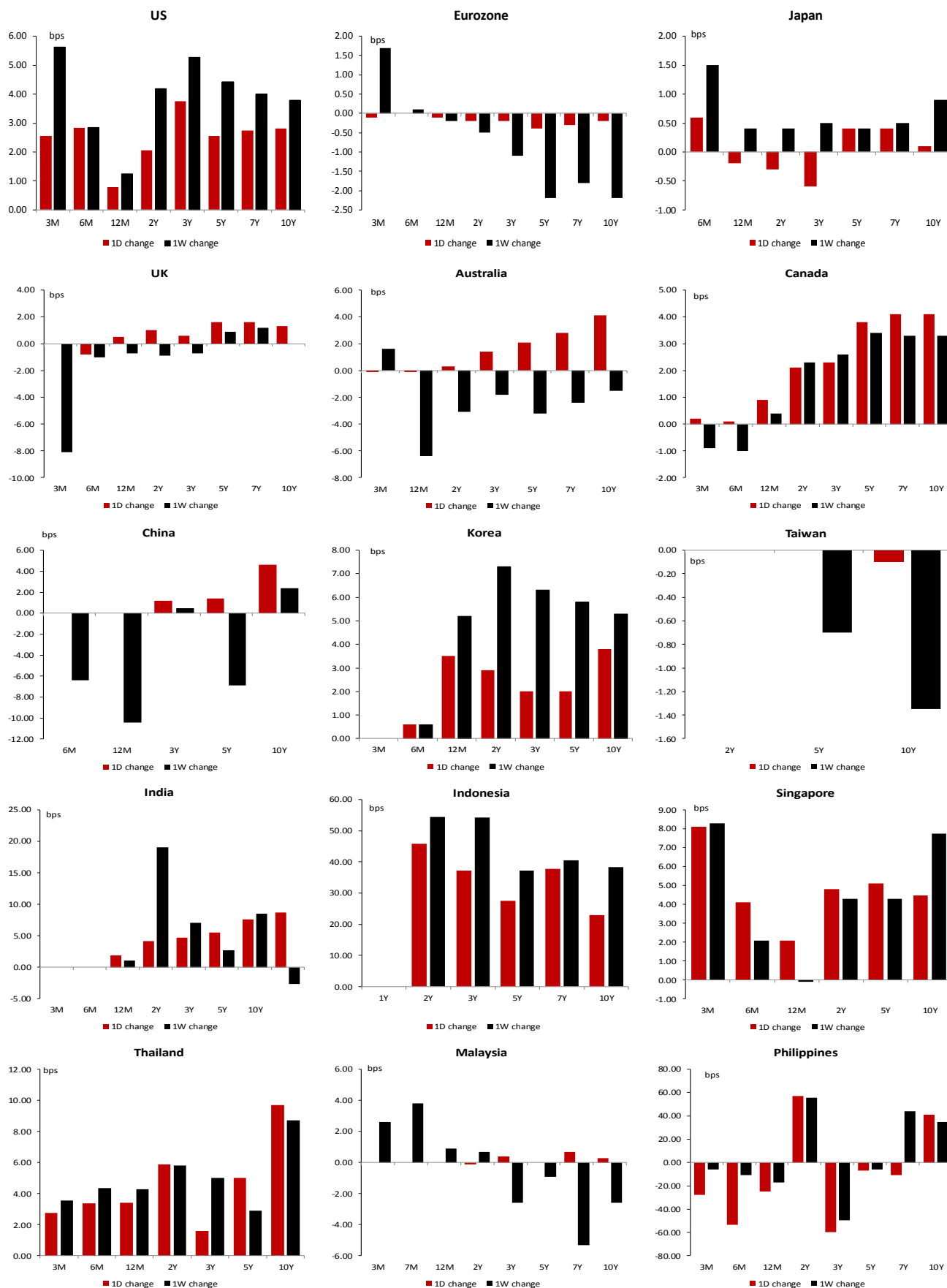
**Asia FX Heat Map**

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		2	2	2	2	2	2	2	1	2	2
JPY	2		2	1	1	2	2	9	1	1	1
CNY	2	2		1	1	1	9	2	1	9	1
SGD	2	1	1		9	1	1	2	1	1	1
MYR	2	1	1	9		1	1	2	1	1	1
KRW	2	2	1	1	1		1	1	2	1	9
TWD	2	2	9	1	1	1		2	1	9	1
THB	2	9	2	2	2	1	2		1	1	1
PHP	1	1	1	1	1	2	1	1		2	2
INR	2	1	9	1	1	1	9	1	2		1
IDR	2	1	1	1	1	9	1	1	2	1	

Source: OCBC Bank

**Government bond yield changes**





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.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).