

Tuesday, January 16, 2018**FX Themes/Strategy/Trading Ideas**

- With NY away for a long weekend, the USD continued to retreat across G10 space on Monday as investors focused on a potentially more hawkish ECB, with the DXY sinking below 90.50. Overall, expect the broad dollar to remain on the defensive intra-day.
- ECB's Hansson highlighted the need to modify the Bank's forward guidance with respect to asset purchases, including the possibility of ending the program after September. In addition, he also downplayed any concerns of an appreciating currency on the inflation outlook. Note that Hansson's comments were particularly explicit (EUR-positive) but also echo remarks from his colleagues since December 2017.
- On other fronts, on the heels of the China-US Treasuries news flow last week, the Bundesbank revealed that a decision had been taken last year to include the CNY in its reserves.
- Elsewhere, a stray report also indicated that US President Trump may be softening his stance on NAFTA, benefitting the MXN (and CAD).
- Post-ECB minutes and the latest German political developments, the **EUR-USD** we think may have garnered sufficient traction to continue to test higher in the near term. From a spot ref of 1.2199, we set a tactical target 1.2420 and place a stop at 1.2085.
- Our 27 Nov 17 idea to be tactically long **GBP-USD** (spot ref: 1.3344) hit its 1.3655 objective on Friday. Amid near term Brexit-related positivity and inherent USD weakness, we extend our target to 1.3975, trailing the stop to 1.3490.
- In a similar vein, our 09 May 17 idea to be structurally long **GBP-USD** (spot ref: 1.2927) filled its take profit objective at 1.3700 on Friday, yielding an implied +4.71% gain.

Asian FX

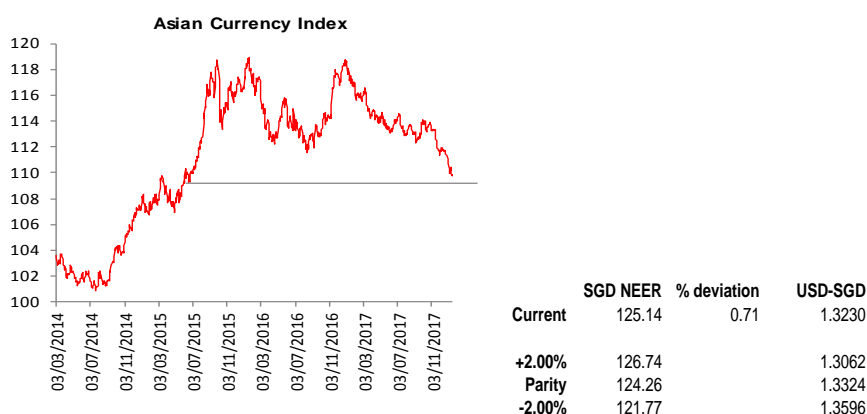
- Except for the TRY, EM FX by and large rode higher on a weaker USD on Monday and the **ACI (Asian Currency Index)** may be expected to remain top heavy pending further broad dollar cues. On the risk appetite front, the **FXSI (FX Sentiment Index)** consolidated higher but remained in Risk-On territory.
- On the net portfolio inflow front, we saw net equity inflows for South Korea, Taiwan, and Indonesia, with bond inflows taking a slight backseat at the start of the week. Meanwhile, Thailand also continued to chalk up net bond

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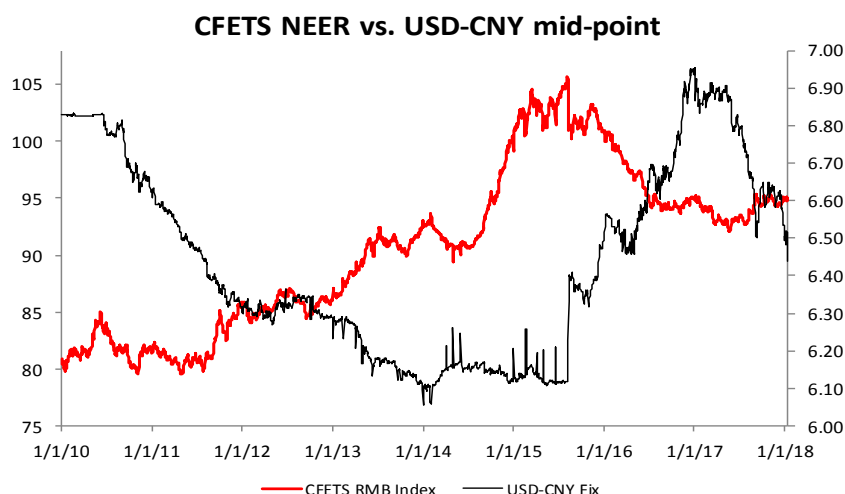
inflows on Monday. Overall, the net portfolio inflow environment remains supportive of Asian FX resilience but Asian central banks are expected to remain vigilant towards accelerated appreciation of their domestic currencies (note comments from Thailand's Deputy PM on Monday).

- SGD NEER:** Despite the continued decline in the broad dollar, the SGD NEER is softer on the day at around +0.71% above its perceived parity (1.3324). NEER-implied USD-SGD thresholds are marginally softer on the day and the NEER may continue to fluctuate within +0.60% (1.3245) and +0.90% (1.3205) in the interim.

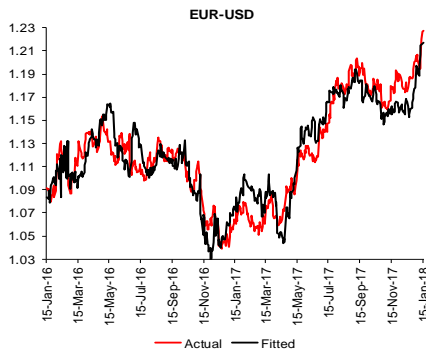


Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point fell (largely as expected) to 6.4372 from 6.4574 on Monday, lifting the CFETS RMB Index higher to 94.97 from 94.91 yesterday. Index stability remains a primary motivation at this juncture and as a result, expect the USD-CNY mid-points to continue to react (note CNH gamma has been paid up of late) to any further broad dollar weakness.

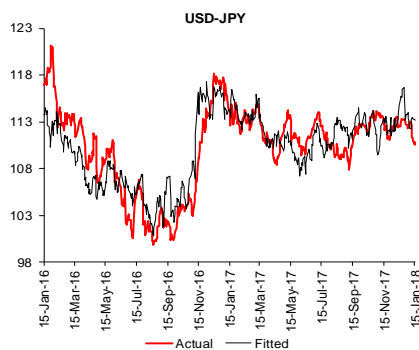


Source: OCBC Bank, Bloomberg

G7

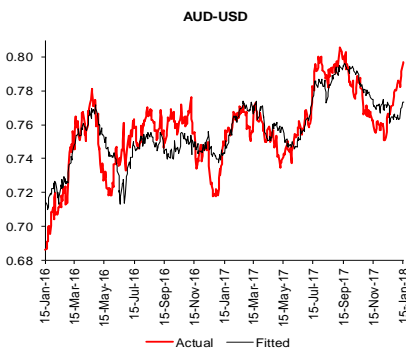
Source: OCBC Bank

- **EUR-USD** Markets may look to the ECB's Rimsevis today (1100 GMT) for further cues while German December CPI (0700 GMT) may also incite further EUR bullishness on any higher than expected prints. Short term implied valuations are yet higher and expect initial support towards 1.2200.



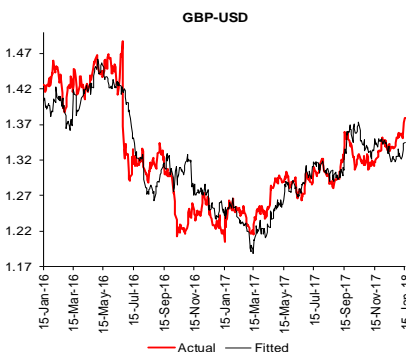
Source: OCBC Bank

- **USD-JPY** Dollar bearishness continues to translate to marginally softer short term implied valuations for the USD-JPY. Nonetheless, expect some hesitation to set in on approach of the key psychological 110.00 level. In the interim, the 200-day MA (111.72) remains intact.



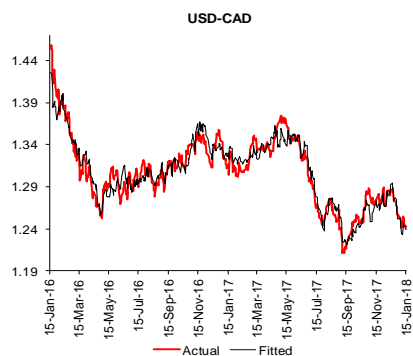
Source: OCBC Bank

- **AUD-USD** in a further sign of confidence in the global macro backdrop, the antipodeans outperformed against their G10 peers on Monday. Short term implied valuations have finally edged higher in the interim and ahead of the December labor market numbers on Thursday, accumulate into any dips towards 0.7900 with the 0.8000 resistance likely requiring a further catalyst.



Source: OCBC Bank

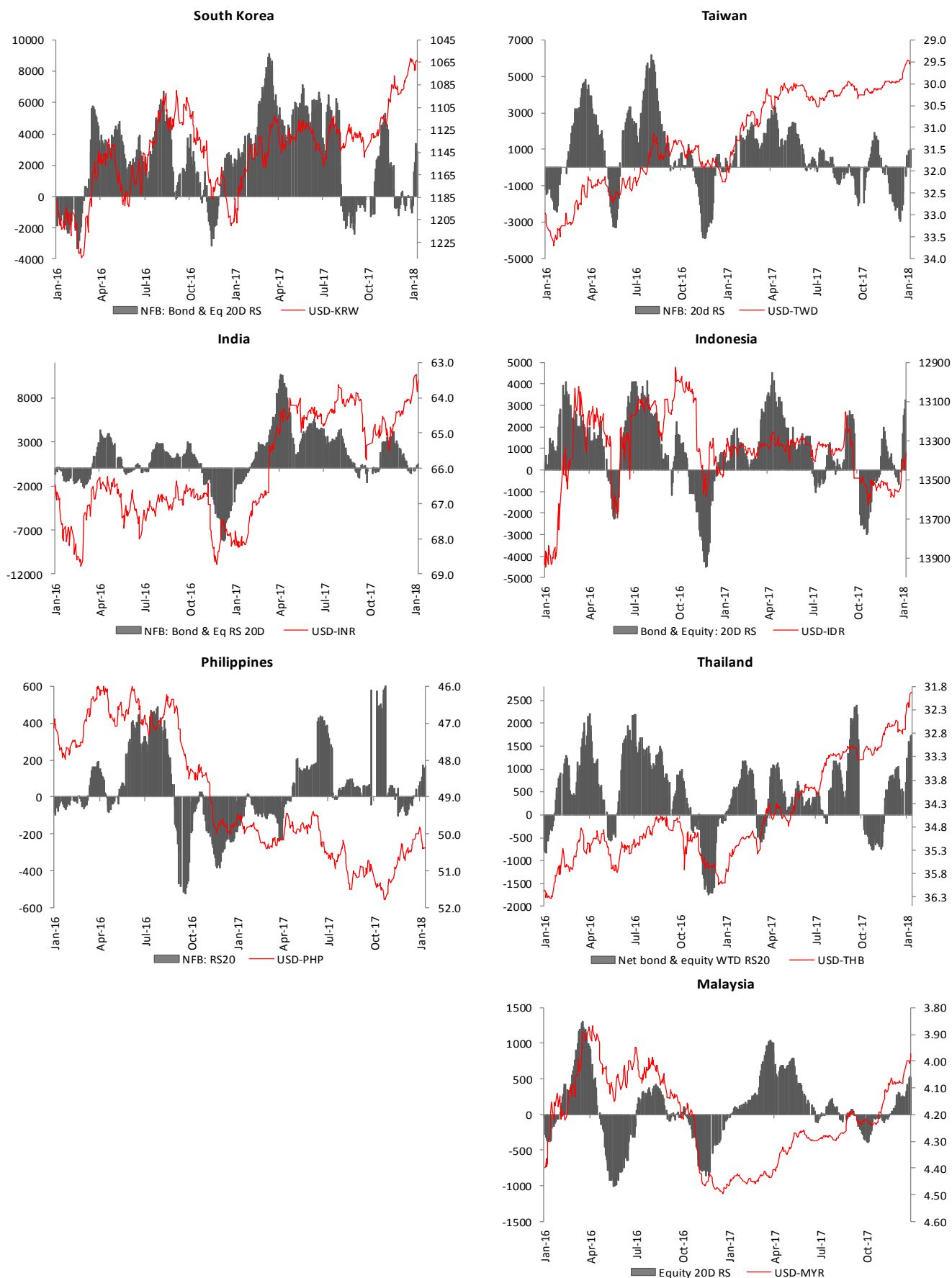
- **GBP-USD** Watch for December CPI/PPI numbers today (0930 GMT) and the GBP-USD may continue to sit on a higher perch afforded by slightly stronger short term implied valuations. Beyond the short term, note that the 200-week MA resides at 1.4411.



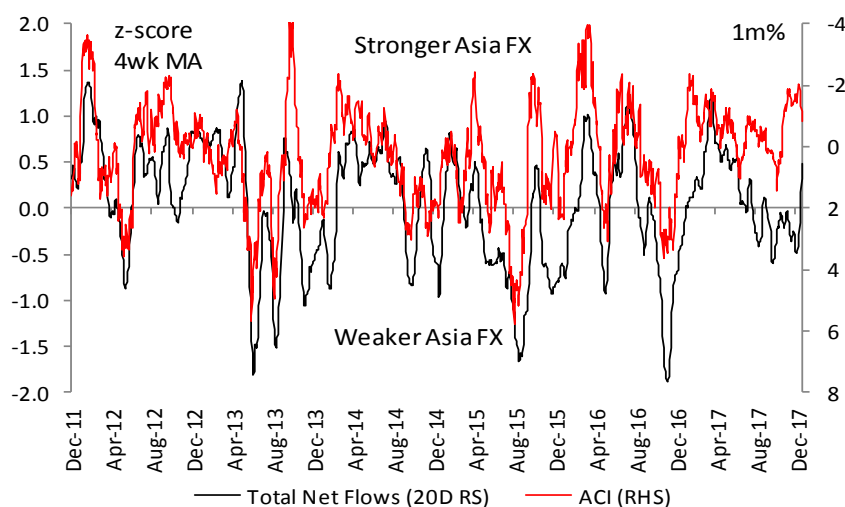
Source: OCBC Bank

- **USD-CAD** CAD underperformed across the board on Monday on a soggy complex and yet firmer crude. Despite bloated expectations surrounding the BOC tomorrow, short term implied valuations continue to search south, with 1.2400 still expected to be under threat (ahead of 1.2355).

USD-Asia VS. Net Capital Flows

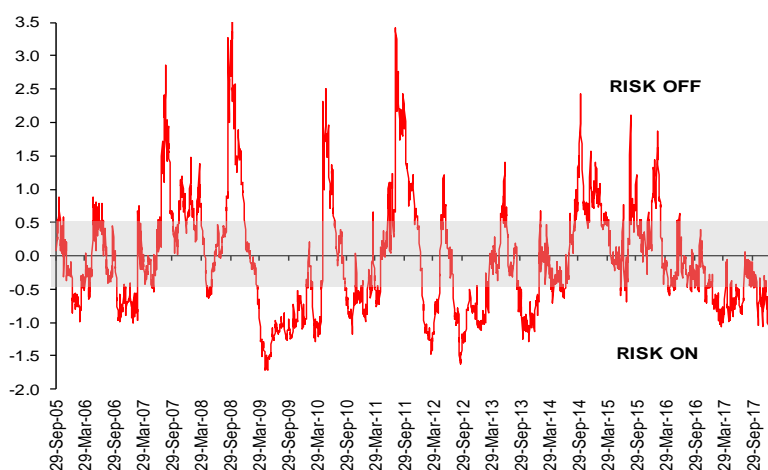


ACI VS. Net Capital Flows



Source: OCBC Bank

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1	-0.385	0.945	-0.727	-0.812	-0.91	0.755	-0.85	0.059	0.384	0.953	-0.979
SGD	0.973	-0.404	0.946	-0.747	-0.865	-0.912	0.732	-0.868	0.25	0.522	0.967	-0.944
CHF	0.954	-0.231	0.87	-0.622	-0.725	-0.81	0.808	-0.758	0.08	0.225	0.895	-0.952
CNH	0.953	-0.395	0.98	-0.691	-0.805	-0.913	0.707	-0.87	0.152	0.514	1	-0.949
CNY	0.945	-0.422	1	-0.667	-0.826	-0.952	0.639	-0.861	0.074	0.521	0.98	-0.921
MYR	0.918	-0.616	0.894	-0.909	-0.954	-0.829	0.761	-0.906	0.299	0.521	0.895	-0.874
THB	0.884	-0.624	0.815	-0.957	-0.943	-0.768	0.847	-0.912	0.32	0.48	0.85	-0.851
CAD	0.866	-0.338	0.915	-0.717	-0.881	-0.919	0.535	-0.863	0.129	0.695	0.901	-0.794
KRW	0.866	-0.314	0.931	-0.592	-0.805	-0.918	0.407	-0.754	0.255	0.633	0.896	-0.816
TWD	0.85	-0.472	0.864	-0.808	-0.966	-0.873	0.576	-0.867	0.324	0.648	0.85	-0.768
IDR	0.849	-0.699	0.833	-0.966	-0.935	-0.751	0.726	-0.916	0.31	0.617	0.853	-0.818
CCN12M	0.827	-0.241	0.784	-0.57	-0.646	-0.634	0.588	-0.622	0.342	0.397	0.848	-0.833
INR	0.82	-0.376	0.852	-0.696	-0.854	-0.786	0.488	-0.747	0.456	0.568	0.831	-0.764
JPY	0.755	-0.552	0.639	-0.717	-0.65	-0.579	1	-0.769	-0.033	-0.028	0.707	-0.804
PHP	0.138	0.506	0.256	0.204	-0.007	-0.392	-0.458	-0.061	0.156	0.463	0.25	-0.106
USGG10	-0.385	1	-0.422	0.711	0.628	0.326	-0.552	0.633	-0.116	-0.3	-0.395	0.38
NZD	-0.896	0.599	-0.877	0.91	0.915	0.855	-0.834	0.965	-0.088	-0.517	-0.907	0.873
GBP	-0.955	0.452	-0.894	0.8	0.839	0.826	-0.832	0.845	-0.118	-0.37	-0.919	0.964
AUD	-0.961	0.431	-0.953	0.796	0.887	0.959	-0.781	0.942	-0.094	-0.531	-0.962	0.927
EUR	-0.979	0.38	-0.921	0.669	0.733	0.858	-0.804	0.817	-0.075	-0.309	-0.949	1

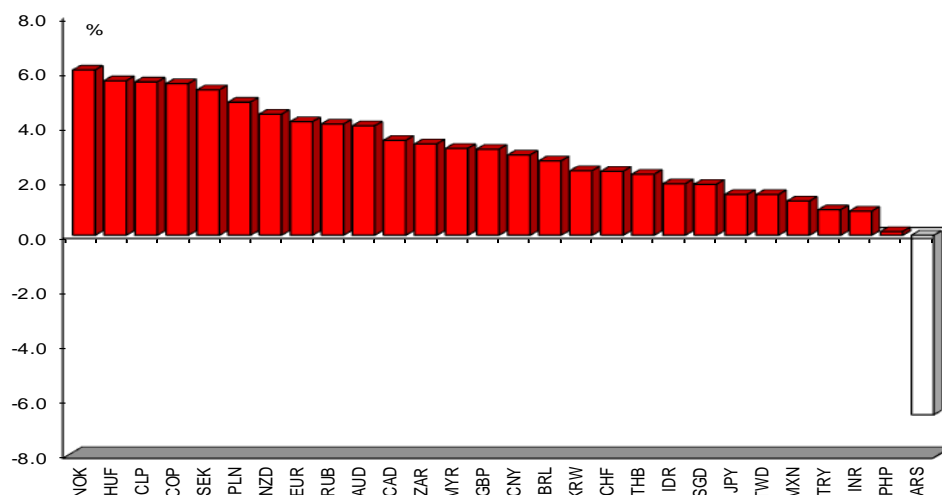
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.2200	1.2242	1.2265	1.2297	1.2300
GBP-USD	1.3750	1.3770	1.3800	1.3820	1.3850
AUD-USD	0.7710	0.7900	0.7962	0.7979	0.8000
NZD-USD	0.7250	0.7280	0.7300	0.7308	0.7315
USD-CAD	1.2356	1.2400	1.2432	1.2500	1.2689
USD-JPY	110.33	110.67	110.92	111.00	111.70
USD-SGD	1.3170	1.3200	1.3224	1.3300	1.3440
EUR-SGD	1.6166	1.6200	1.6219	1.6240	1.6300
JPY-SGD	1.1733	1.1900	1.1922	1.1939	1.1974
GBP-SGD	1.8193	1.8200	1.8249	1.8286	1.8300
AUD-SGD	1.0500	1.0517	1.0529	1.0542	1.0600
Gold	1287.20	1300.00	1340.40	1345.00	1350.98
Silver	17.12	17.30	17.35	17.40	17.45
Crude	58.57	64.50	64.53	64.60	64.89

Source: OCBC Bank

FX performance: 1-month change agst USD



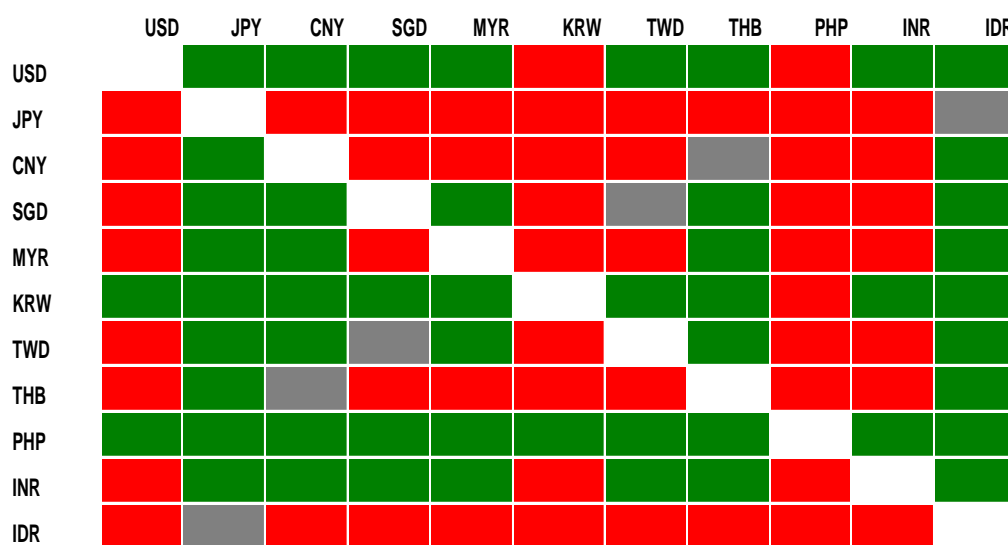
Source: Bloomberg

G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD		Green	Red	Red	Red	Red	Red	Red	Red
NZD	Red		Red	Red	Red	Red	Red	Red	Red
EUR	Green	Green		Red	Red	Green	Red	Red	Red
GBP	Green	Green	Green		Green	Green	Red	Red	Grey
JPY	Green	Green	Green	Red		Green	Red	Red	Red
CAD	Green	Green	Red	Red	Red		Red	Red	Red
USD	Green	Green	Green	Green	Green	Green		Green	Green
SGD	Green	Green	Green	Green	Green	Green	Red		Green
MYR	Green	Green	Green	Grey	Green	Green	Red	Red	

Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

FX Trade Ideas

FX Trade Ideas								
	Inception		B/S	Currency	Spot	Target Stop/Trailing Stop	Rationale	
	TACTICAL							
1	27-Nov-17		B	GBP-USD	1.3344	1.3975 1.3490	Investors may impute Brexit talks in December. Prevailing USD weakness.	
2	15-Jan-18		B	EUR-USD	1.2199	1.2420 1.2085	"Hawkish" ECB expectations, positive German political news flow	
	STRUCTURAL							
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	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*
1	07-Nov-17	04-Jan-18		Bullish 2M 1X2 USD-JPY Call Spread Spot ref: 114.15; Strikes: 113.78, 118.31; Exp: 04/01/18; Cost: 0.90%			Rate differential complex supportive of the USD, BOJ static	-0.90**
2	21-Nov-17	09-Jan-18	S	USD-SGD	1.3561	1.3345	Little contagion in geopolitical risks, sanguine portfolio inflow environment, USD fragility	+1.56
3	09-May-17	12-Jan-18	B	GBP-USD	1.2927	1.3700	USD skepticism, UK snap elections, positioning overhang, hawkish BOE?	+4.71
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Source: OCBC Bank

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