

Tuesday, April 17, 2018

**FX Themes/Strategy/Trading Ideas**

- The greenback retreated across G10 space on Monday as risk aversion continued to evaporate (no signs of further escalation from the allied forces in Syria). Comments from the Fed's Dudley and Bostic meanwhile did not incite additional Fed bullishness (neither did the appointment of Carida as Fed vice-chair). Elsewhere, despite positive US equities, the **FXSI (FX Sentiment Index)** ticked higher on Monday but remained in Risk-Neutral territory.
- Note however that the antipodeans continued to trade unevenly against their G10 counterparts – fair warning that macro plays may continue to remain out of favor on a structural basis.
- In the interim, we expect the broad USD to continue to appeal to its countercyclical properties and continue to ignore implicit support from shorter-term supportive rate differential arguments. To boot, note that investigations continue to edge closer to the Oval Office, potentially a dollar negative.
- For today, the Fed's Williams (1315 GMT), Quarles (1400 GMT), Harker (1500 GMT), Evans (1710 GMT), and Bostic (2140 GMT) are scheduled. Data points to watch include UK Feb/mar labor market numbers (0830 GMT), the German Apr ZEW (0900 GMT), and US Mar housing starts (1230 GMT), and US Mar industrial production (1315 GMT). In Asia, look to China's 1Q GDP numbers as well as the stream of March data releases.

Treasury Research &  
Strategy

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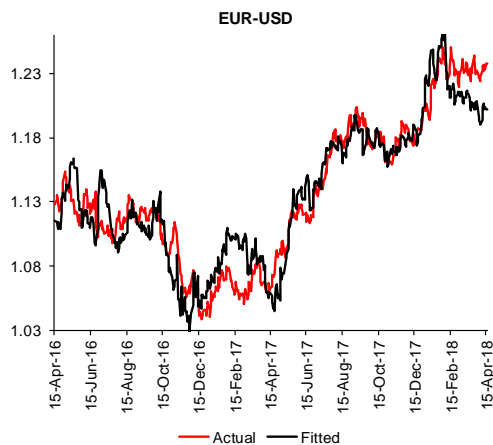
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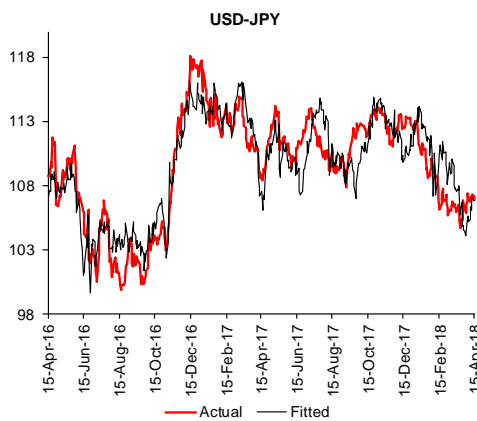
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**G7**



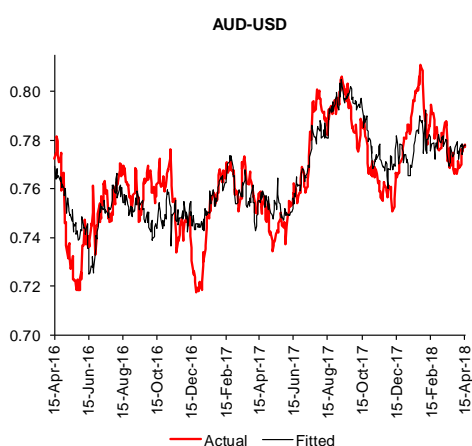
- **EUR-USD** EUR\_USD may continue to attempt to base build off the 55-day MA (1.2337) towards 1.2430 in the current dollar environment. Relatively static short term implied valuations meanwhile may discourage any accelerated up moves in the interim.

Source: OCBC Bank



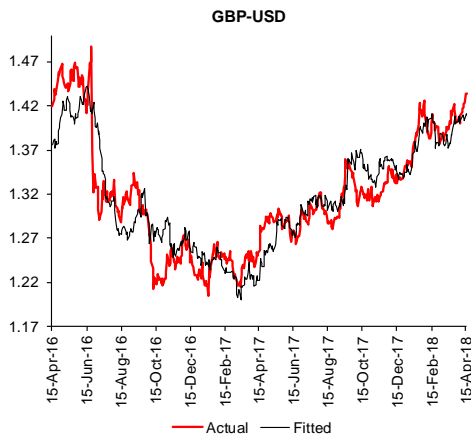
- **USD-JPY** With PM Abe under a negative political cloud, investors meanwhile will remain on the lookout for headline risks in view of the US-Japan Summit (17-20 April). Expect near term support towards the 55-day MA (106.98) with short term implied valuations for the USD-JPY still relatively aloft. Next upside objective is seen at 108.00.

Source: OCBC Bank

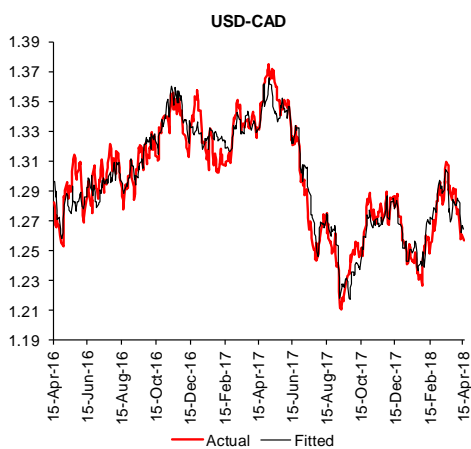


- **AUD-USD** RBA meeting minutes this morning did not telegraph to hike in the near term as expected but the supportive string of China data releases this morning may continue to encourage a test higher towards the 55-day MA (0.7797) and the 200-day MA (0.7816). Short term implied valuations meanwhile remain underpinned.

Source: OCBC Bank



- **GBP-USD** Inherent positivity towards the GBP remains unabated at this juncture with short term implied valuations for GBP-USD still relatively buoyant. Watch UK labor market numbers for potential headline risks and 1.4400 may be tested barring any undue disappointments.



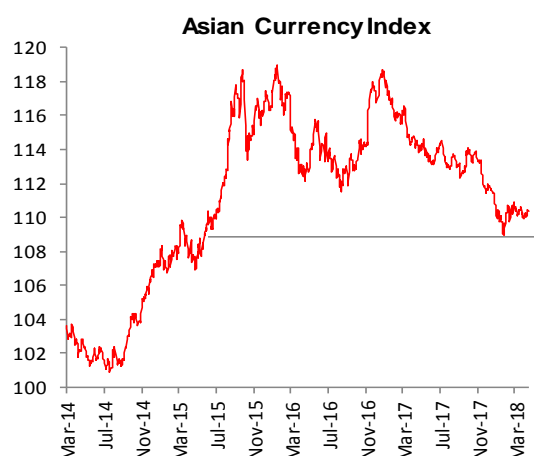
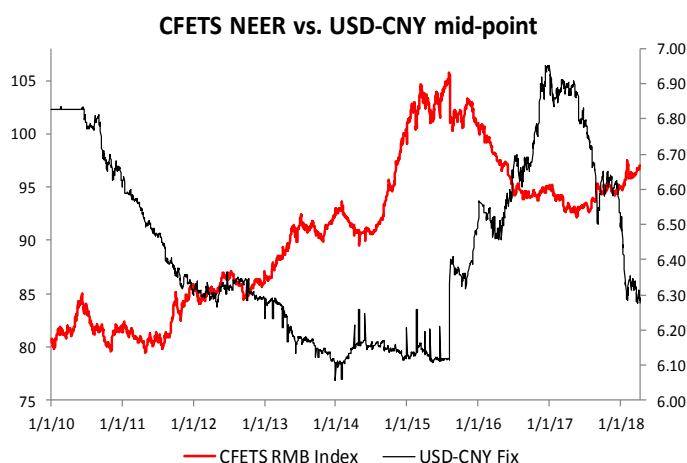
- **USD-CAD** Positive expectations surrounding a Nafta deal and Trudeau-pipeline news flow continued to prove supportive for the loonie on Monday. Ahead of the BOC on Wednesday, risks for a decay towards 1.2500 may remain on the cards, with short term implied valuations for the USD-CAD tipping lower.

Source: OCBC Bank

## Asian FX

- With regards to Asian net capital inflows, we are witnessing an attempted rebound in net bond inflows for South Korea (note continued optimism on the back of defusing North-South tensions), although Taiwan continues to be weighed by net equity outflows. Meanwhile, in India, net equity inflows are moderating sharply despite some rebound in net bond inflows, with the net positive inflow balance moderating lower.
- For Indonesia, we could be at near term satiation after the recent strong net bond inflows, with the overall net inflow balance looking to moderate somewhat. Similarly, hitherto strong net bond inflows for Thailand are moderating with net equity outflows deepening slightly.
- Overall, expect any potential outperformance in South Asia (versus the North Asian currencies) to stall on the back of moderating inflow pressures. For today, expect the ACI (Asian Currency Index) to tick lower on a softer broad dollar and still sanguine risk appetite levels.
- **India:** March WPI inflation came in at a warmer than expected 2.47% yoy, from 2.48% the previous month, potentially keeping downside pressure on local govies.

- Indonesia:** The government maintained its projection for the 2018 budget deficit at -2.19% of GDP. Meanwhile, the surprise trade surplus for March at USD1.092bn should underpin sentiment.
- Hong Kong:** The HKD continues to bear watching with the HKMA buying another HKD5.77bn as spot continue to bump against the 7.8500 boundary. The HKMA meanwhile as stated that there is no need for a proactive adjustment in domestic rates (beyond the mandated intervention).
- SGD NEER:** The SGD NEER this morning is firmer on the day at around +0.54% above its perceived parity (1.3173), with NEER-implied USD-SGD thresholds softer in the wake of overnight dollar price action. Expect a +0.40% (1.3121) to +0.70% (1.3082) range intra-day, with 1.3100 functioning as a technical anchor in the interim. On the macro front, March NODX disappointed with a -2.7% yoy contraction as opposed to prior market expectations for an expansion.
- CFETS RMB Index:** The USD-CNY mid-point this morning eased 9as expected) to 6.2771 from 6.2884 on Monday. This took the CFETS RMB Index lower to 96.97 from 97.03 yesterday.

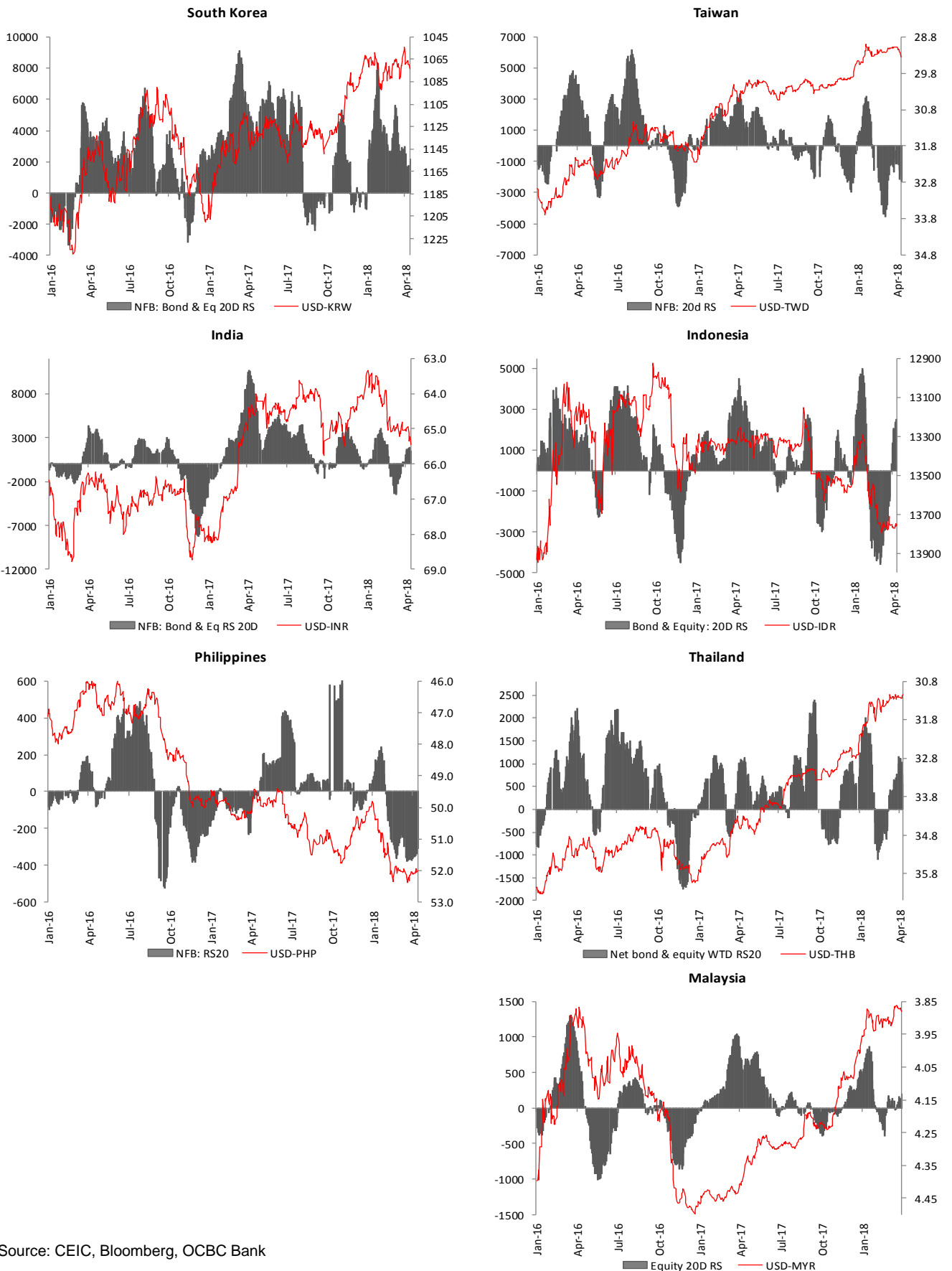


Source: OCBC Bank, Bloomberg

Currency	S.T. bias	Rationale
USD-CNH	↔	Relative stability of RMB Index, RMB to shoulder potential volatility instead, watch US-Sino tensions
USD-KRW	↔/↑	Easing tensions with the North, net portfolio inflows moderating, inflation/current account surplus projection downgraded, BOK expected to remain neutral
USD-TWD	↑	Net equity outflows, new CBC governor non-hawkish
USD-INR	↔/↑	India placed on US Treasury's watchlist, foreign investor limit on government bonds eased, mild net positive inflows, less aggressive fiscal borrowing plans, wider than expected March trade deficit, warmer than expected March CPI
USD-SGD	↔	NEER hovering around parity; MAS steepens NEER slope in April, pair buffeted by global trade tension headlines
USD-MYR	↔/↑	BNM remains accommodative; country on election watch (09 May 18)
USD-IDR	↔	Rating upgrade from Moodys to Baa2, BI containing IDR volatility, sees little room to cut rates; fundamentals intact, strong net bond inflows
USD-THB	↔	BOT remains accommodative, moderating net bond inflows
USD-PHP	↔/↓	Net equity outflows, BSP downplaying rate hike expectations but remains vigilant towards inflation risks (markets unconvinced), note surprise contraction in Feb exports

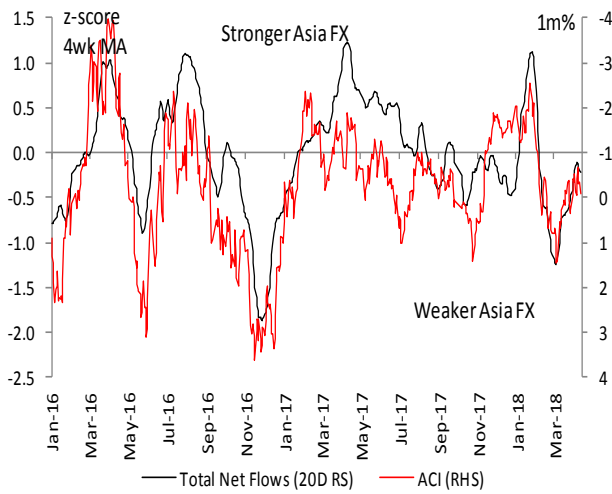
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows



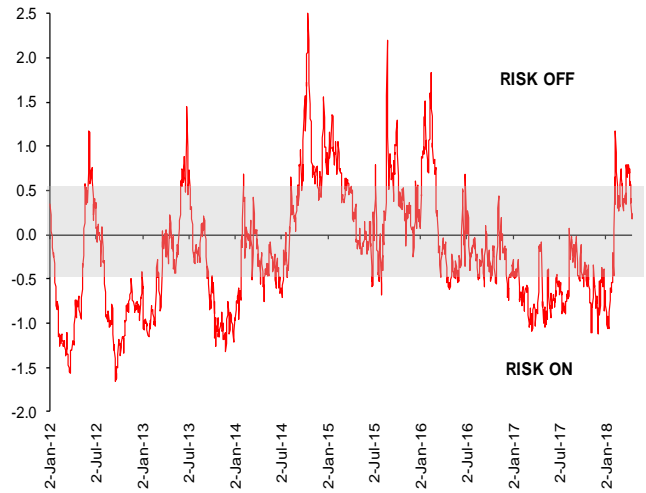
Source: CEIC, Bloomberg, OCBC Bank

### ACI VS. Net Capital Flows



Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCAPF	CRY	JPY	CL1	VIX	ITRXXE	CNH	EUR
DXY	1.000	-0.126	0.304	0.070	-0.245	-0.505	0.468	-0.532	-0.244	-0.005	0.291	-0.971
CHF	0.615	-0.083	-0.259	0.014	-0.421	0.054	0.925	0.072	-0.468	-0.105	-0.160	-0.594
SGD	0.511	0.431	0.865	0.300	0.326	-0.427	-0.108	-0.520	-0.068	-0.232	0.853	-0.627
JPY	0.468	0.024	-0.288	0.198	-0.254	0.145	1.000	0.119	-0.612	-0.228	-0.208	-0.414
IDR	0.377	-0.136	0.311	-0.196	-0.351	-0.168	0.183	-0.160	0.065	-0.064	0.315	-0.447
THB	0.325	-0.059	0.528	-0.097	-0.125	-0.209	0.110	-0.250	0.142	-0.009	0.504	-0.379
CNY	0.304	0.584	1.000	0.435	0.573	-0.433	-0.288	-0.522	-0.024	-0.227	0.951	-0.440
CNH	0.291	0.460	0.951	0.299	0.483	-0.321	-0.208	-0.462	0.045	-0.199	1.000	-0.441
INR	0.209	0.255	0.177	0.410	0.398	0.387	0.312	0.294	-0.463	-0.394	0.182	-0.196
CAD	0.187	0.114	0.606	0.188	0.357	-0.610	-0.631	-0.606	0.220	-0.079	0.460	-0.175
TWD	-0.065	0.351	-0.071	0.304	0.175	0.752	0.621	0.570	-0.637	-0.423	0.016	-0.001
USGG10	-0.126	1.000	0.584	0.826	0.694	0.154	0.024	0.154	-0.556	-0.245	0.460	0.031
MYR	-0.266	0.744	0.761	0.558	0.794	0.053	-0.537	0.000	-0.112	-0.227	0.670	0.147
PHP	-0.371	0.124	0.340	-0.211	0.016	-0.236	-0.776	-0.070	0.545	0.378	0.227	0.323
NZD	-0.373	0.052	-0.560	0.033	-0.162	0.644	0.565	0.622	-0.359	-0.170	-0.476	0.364
AUD	-0.501	0.520	-0.165	0.502	0.383	0.692	0.304	0.675	-0.553	-0.294	-0.195	0.465
KRW	-0.686	0.476	0.266	0.149	0.415	0.344	-0.454	0.379	0.152	0.020	0.251	0.608
GBP	-0.716	0.244	-0.411	-0.054	0.109	0.777	0.124	0.804	-0.073	0.069	-0.350	0.674
EUR	-0.971	0.031	-0.440	-0.063	0.199	0.488	-0.414	0.531	0.192	-0.006	-0.441	1.000

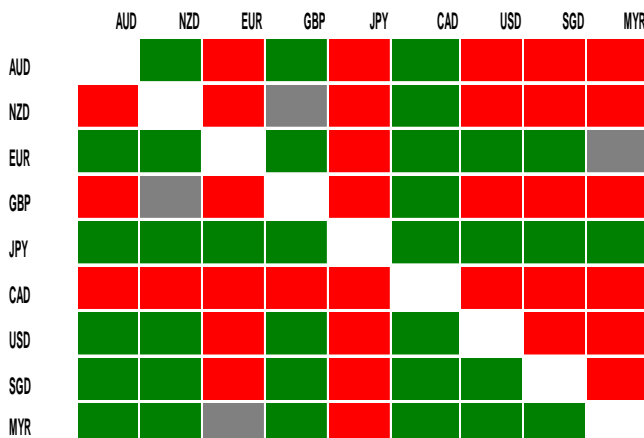
Source: Bloomberg

### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.2300	1.2326	1.2382	1.2400	1.2425
GBP-USD	1.4300	1.4328	1.4340	1.4354	1.4400
AUD-USD	0.7643	0.7700	0.7762	0.7776	0.7792
NZD-USD	0.7280	0.7300	0.7353	0.7395	0.7397
USD-CAD	1.2500	1.2545	1.2573	1.2600	1.2619
USD-JPY	106.70	107.00	107.04	107.78	107.98
USD-SGD	1.3054	1.3067	1.3099	1.3100	1.3151
EUR-SGD	1.6200	1.6211	1.6219	1.6268	1.6300
JPY-SGD	1.2168	1.2200	1.2237	1.2300	1.2324
GBP-SGD	1.8700	1.8772	1.8783	1.8799	1.8800
AUD-SGD	1.0020	1.0100	1.0168	1.0200	1.0213
Gold	1310.91	1330.63	1347.50	1359.58	1365.40
Silver	16.51	16.60	16.68	16.70	16.83
Crude	63.00	66.50	66.55	66.60	67.76

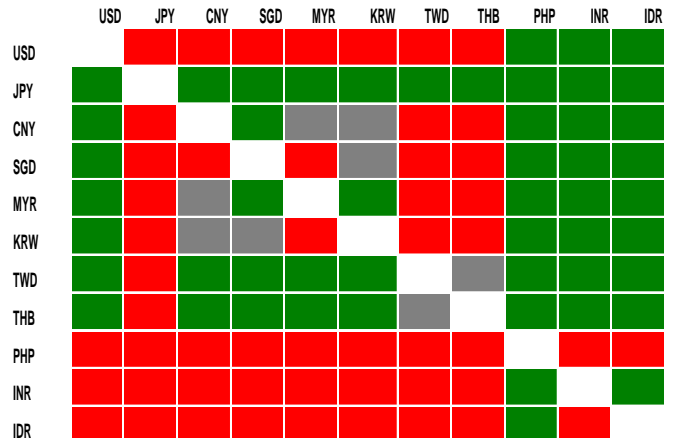
Source: OCBC Bank

### G10 FX Heat Map



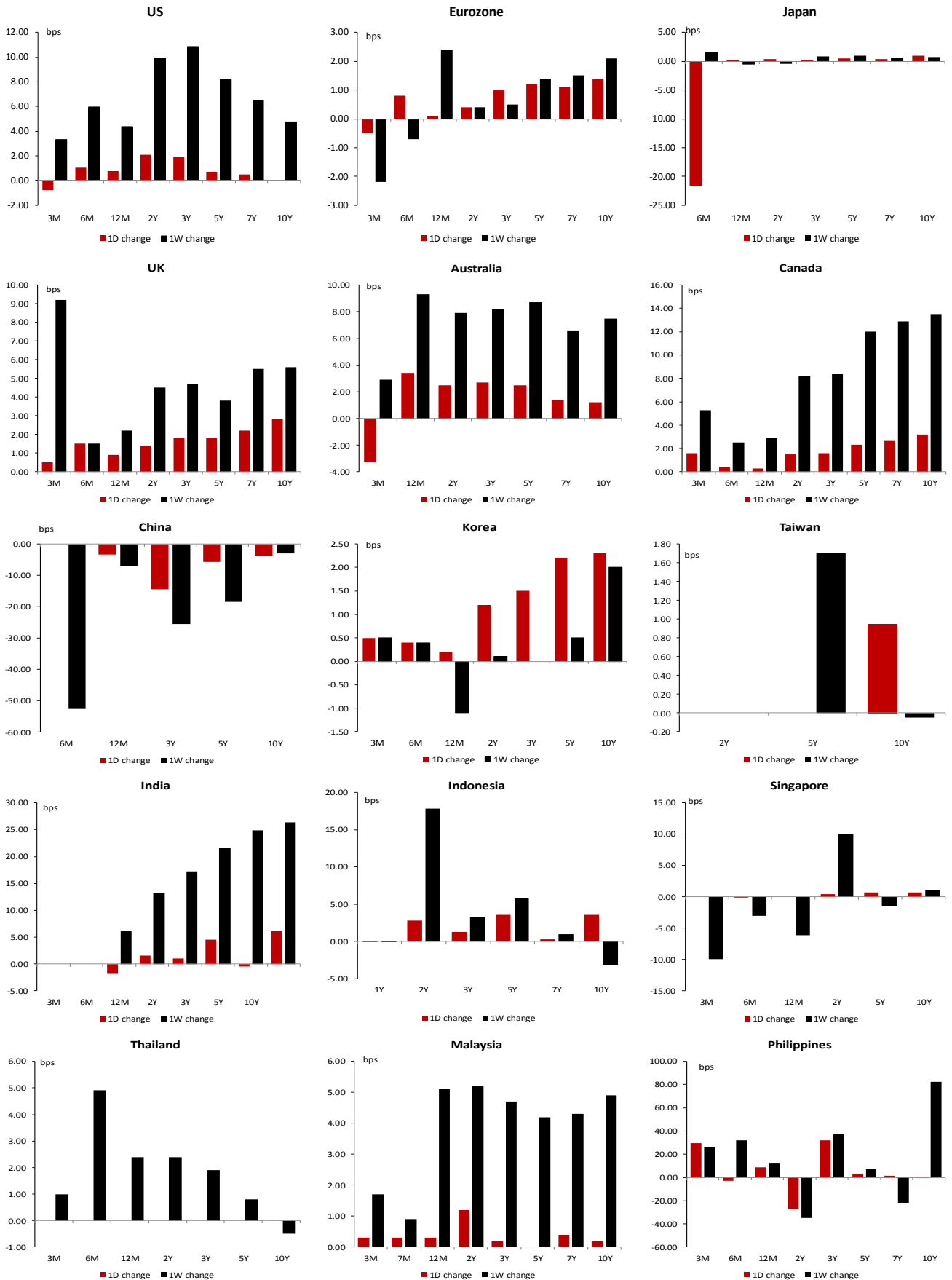
Source: OCBC Bank

### Asia FX Heat Map



Source: OCBC Bank

### Government bond yield changes





### FX Trade Ideas

Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>								
-	-	-	-	-	-	-	-	
<b>STRUCTURAL</b>								
1	19-Jan-18	B	EUR-USD	1.2274	1.2865	1.1975	ECB likely to alter its forward guidance into the spring	
2	31-Jan-18	S	USD-JPY	108.67	102.35	111.85	Market fixation on USD weakness, despite mitigating factors and the BOJ	
3	15-Feb-18	B	GBP-USD	1.4014	1.4855	1.3590	Broad dollar vulnerability coupled with hawkish BOE expectations.	
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	09-Feb-18	15-Feb-18	B	USD-CAD	1.2600	1.2470	Softer crude and fragile appetite towards the cyclical	-1.03
2	22-Feb-18	09-Mar-18	B	USD-CAD	1.2696	1.2820	Post FOMC minutes, rising implied valuations for the pair	+0.99
3	06-Mar-18	12-Mar-18	S	AUD-USD	0.7765	0.7855	Non-hawkish RBA meeting outcome, vulnerability to USD resilience	-1.14
4	08-Mar-18	13-Mar-18	S	USD-JPY	106.00	106.85	White House policy uncertainty, risk aversion	-0.83
* realized							1Q 18 Return	+12.43

Source: OCBC Bank

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