

Thursday, March 29, 2018

**FX Themes/Strategy/Trading Ideas**

- The dollar bounced higher across the board with the DXY surfacing above 90.00 on cited quarter-end/month-end flows and alleviation of potential trade war fears. On the data front, final US 4Q GDP numbers were a touch better than expected. Overall, we'd probably try not to extrapolate too much from overnight price action and expect short term directionality to decay as we head into the Easter weekend.
- Global equities remained slightly unsteady with EM stocks also gliding lower and we note that the **FXSI (FX Sentiment Index)** moved higher into Risk-Off territory on Thursday. Risk appetite in Asia meanwhile may however remain underpinned with news indicating that **Pyongyang** may be seeking talks with **Japan**.
- Structurally, expect global markets to start on a slightly more cautious footing for 2Q 18. Note that our **Macro Surprise Indices** (for US, EZ, Asia) continue to head south, the global inflation impulse is going nowhere fast, while cross-asset cues from the commodity/equity complex have been increasingly cautious. As such, expect global long-end yields to be heavy, while cyclicals on the FX front may find few fans.
- Today, the **Fed's Harker** (1700 GMT) is on tap while the data stream includes Australian Feb private sector credit (0030 GMT), UK Feb monetary aggregates and 4Q GDP (0830 GMT), **German March CPI** (1200 GMT), Canadian GDP (1230 GMT), **US Feb core PCE deflator** (1230 GMT), the March Chicago PMI (1345 GMT), and the March Michigan sentiment index (1400 GMT).

**Asian FX**

- Asian net portfolio inflows meanwhile indicate a continued bounce in net inflows for South Korea but renewed outflows for Taiwan. Net equity inflows continue to climb for India but bond flows remain in a net outflow balance. Meanwhile, the significant positive turnaround in net outflows for bonds in Indonesia also bodes well for the IDR, with Thailand still continuing to experience improvements in its net inflow balance. Overall, expect the **ACI (Asian Currency Index)** to be supported on dips in the current USD environment. **For April, seasonality considerations would seem to suggest outperformance for the KRW, TWD, SGD, as well as the MYR.**
- **Thailand:** The Bank of Thailand on Wednesday remained static at 1.50% as expected although a single dissenting vote to hike rates threw the market

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slightly off balance. With inflation readings veering away from the central bank's target range, expect continued neutrality out of the central bank going ahead.

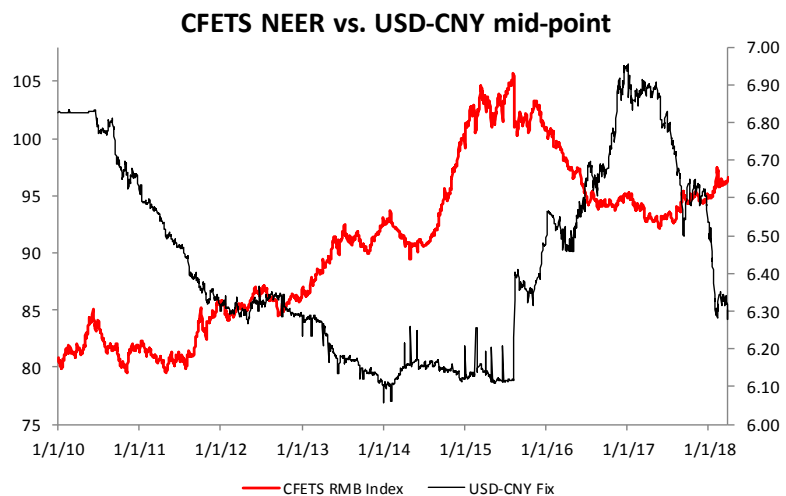
- Indonesia:** Wide ranging comments from the incoming BI governor on Wednesday were largely in line with prior central bank rhetoric (with regards to currency stability, the current account deficit, inflation and growth expectations). Note however that the central bank continues to grapple with mild credit growth and should continue to deter rate hike expectations.
- SGD NEER:** The SGD NEER is stronger on the day at around +0.54% above its perceived parity (1.3195) with NEER-implied USD-SGD thresholds higher on the day. We look for a +0.40% (1.3142) to +0.70% (1.3103) range intra-day. Technically, expect range trading conditions to prevail, with the 55-day MA (1.3170) continuing to cap at this juncture.



	SGD NEER	% deviation	USD-SGD
Current	124.91	0.53	1.3125
+2.00%	126.74		1.2936
Parity	124.26		1.3195
-2.00%	121.77		1.3464

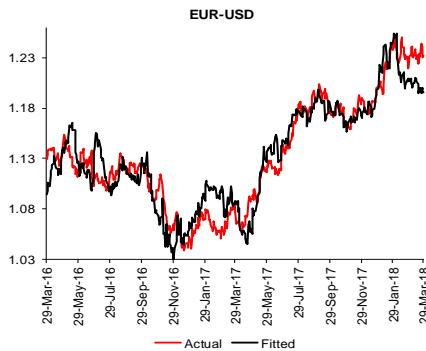
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point rose (slightly more than expected) to 6.3046 from 6.2785 yesterday. This took the CFETS RMB Index lower to 96.60 from 96.63 on Wednesday.



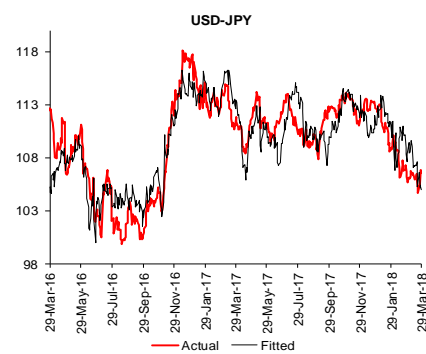
Source: OCBC Bank, Bloomberg

**G7**



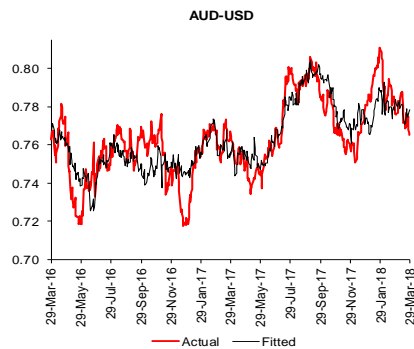
Source: OCBC Bank

- EUR-USD** Having slipped below its 55-day MA (1.2333), the EUR-USD may finally be taking the hint from its suppressed short term implied valuations. Sub-1.2300 and ahead of the German CPI readings, the next support is expected towards 1.2260.



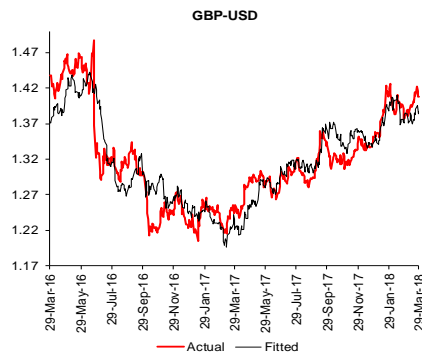
Source: OCBC Bank

- USD-JPY** Despite the overnight blip higher in the USD-JPY, note that short term implied valuations for the USD-JPY remain unambiguously heavy. Given the prevailing risk appetite environment, prefer to fade upticks with resistance expected into 107.15/30 with 106.00 now serving as a short term support.



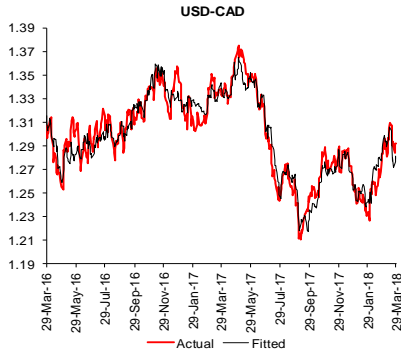
Source: OCBC Bank

- AUD-USD** Despite somewhat static short term implied valuations ahead of next week's RBA meeting, AUD-USD may remain slippery into the end of the week (see Heat Map) with 0.7600/20 looking to entice if dollar strength/wobbly risk appetite episodes continue to alternate.



Source: OCBC Bank

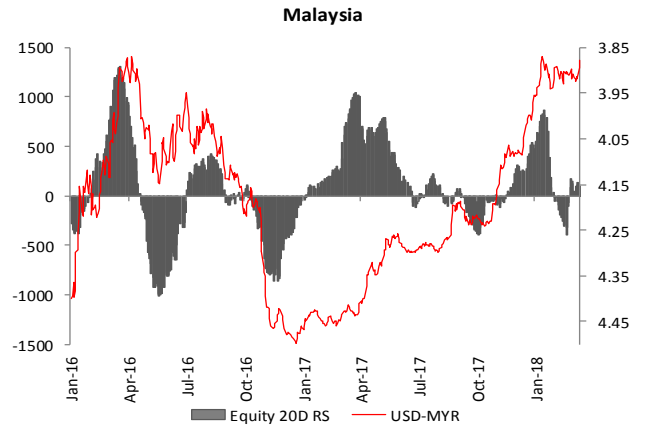
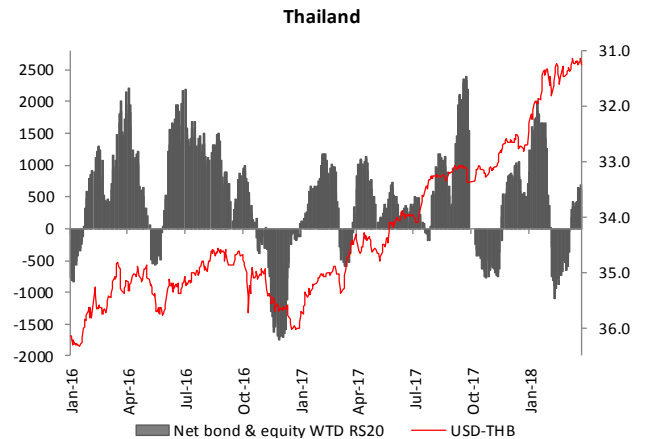
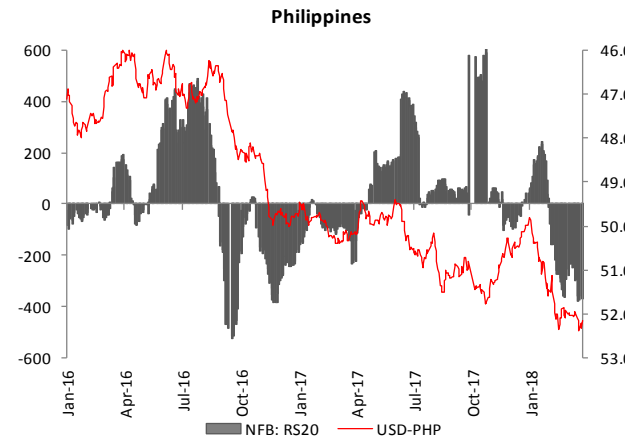
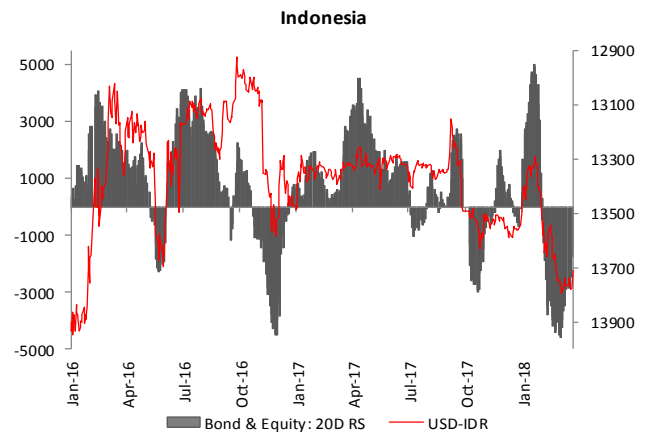
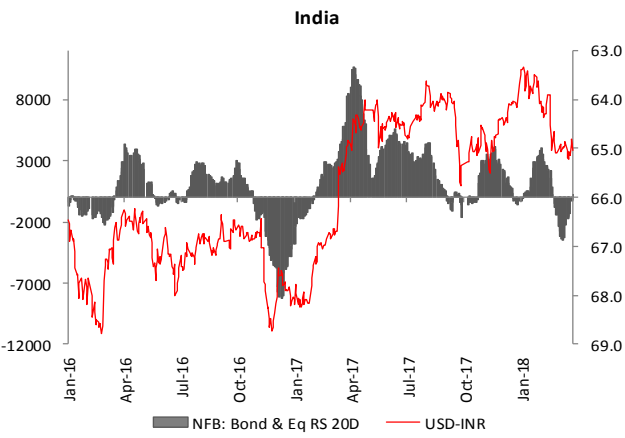
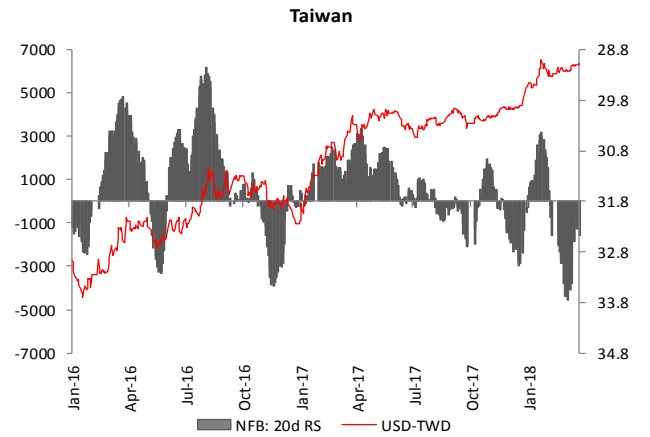
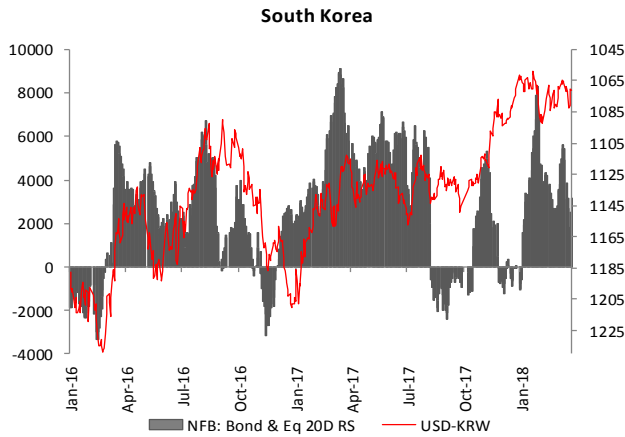
- GBP-USD** The latest uptick in the broad dollar may dull upside prospects for the GBP-USD in the near term with short term implied valuations also looking to consolidate slightly. Look for some base building behavior on dips towards 1.4020. Note disappointing March CBI readings from yesterday with Feb monetary aggregates and 4Q GDP due today.



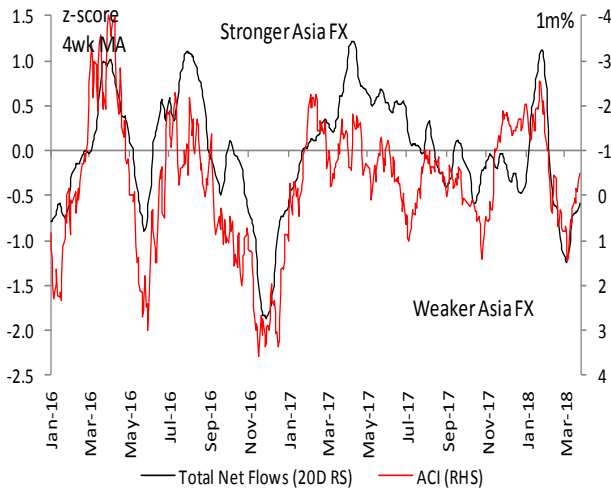
- **USD-CAD** Expect more consolidative behavior in the near term ahead of the Canadian March labor market numbers next week. In the interim, investors may continue to ply a 1.2800-1.3000 range pending further broad dollar/Nafta headlines.

Source: OCBC Bank

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

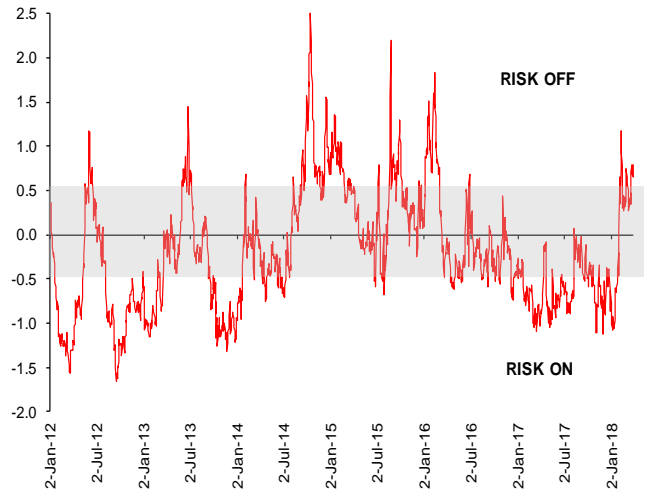


**ACI VS. Net Capital Flows**



Source: OCBC Bank

**FX Sentiment Index**



Source: OCBC Bank

**1M Correlation Matrix**

	DXY	USGG10	CNY	SPX	MSELCAFP	CRY	JPY	CL1	VIX	ITRXXE	CNH	EUR
DXY	1.000	0.243	0.661	0.347	0.295	-0.408	0.628	-0.426	-0.254	-0.335	0.645	-0.923
SGD	0.742	0.366	0.650	0.141	0.062	-0.182	0.283	-0.318	0.037	-0.159	0.691	-0.779
CNY	0.661	0.341	1.000	0.380	0.241	-0.335	0.190	-0.620	-0.257	-0.439	0.936	-0.533
CNH	0.645	0.339	0.936	0.381	0.290	-0.405	0.153	-0.686	-0.248	-0.468	1.000	-0.549
JPY	0.628	0.381	0.190	0.646	0.406	-0.195	1.000	-0.367	-0.585	-0.513	0.153	-0.488
INR	0.455	0.059	0.464	-0.232	-0.163	-0.315	0.014	0.010	0.225	0.223	0.387	-0.471
THB	0.369	0.510	0.530	0.245	-0.281	0.157	0.274	-0.358	-0.154	-0.215	0.496	-0.257
MYR	0.351	0.432	0.642	0.306	0.431	-0.119	-0.050	-0.239	-0.164	-0.232	0.619	-0.399
TWD	0.340	0.409	0.618	0.601	0.108	-0.045	0.404	-0.743	-0.484	-0.656	0.556	-0.081
USGG10	0.243	1.000	0.341	0.645	0.262	0.162	0.381	-0.227	-0.600	-0.307	0.339	-0.157
CHF	0.162	-0.221	-0.098	-0.177	0.103	-0.416	0.031	0.226	0.013	0.171	-0.139	-0.162
CAD	0.081	-0.120	0.185	-0.055	0.170	-0.465	-0.215	-0.148	-0.045	-0.090	0.203	0.012
AUD	-0.073	0.414	0.143	0.790	0.435	0.095	0.336	-0.598	-0.714	-0.716	0.229	0.218
IDR	-0.103	-0.036	0.238	-0.196	-0.324	-0.241	-0.401	-0.164	0.093	0.010	0.239	0.230
KRW	-0.136	0.112	-0.038	-0.445	-0.630	0.416	-0.352	0.378	0.525	0.482	-0.109	-0.011
PHP	-0.483	-0.456	-0.585	-0.717	-0.367	0.170	-0.580	0.675	0.636	0.648	-0.501	0.266
NZD	-0.530	-0.048	-0.322	0.418	0.234	0.119	0.033	-0.336	-0.420	-0.464	-0.235	0.634
GBP	-0.651	-0.370	-0.735	-0.551	-0.142	0.325	-0.443	0.836	0.426	0.654	-0.752	0.455
EUR	-0.923	-0.157	-0.533	-0.154	-0.292	0.342	-0.488	0.186	0.040	0.115	-0.549	1.000

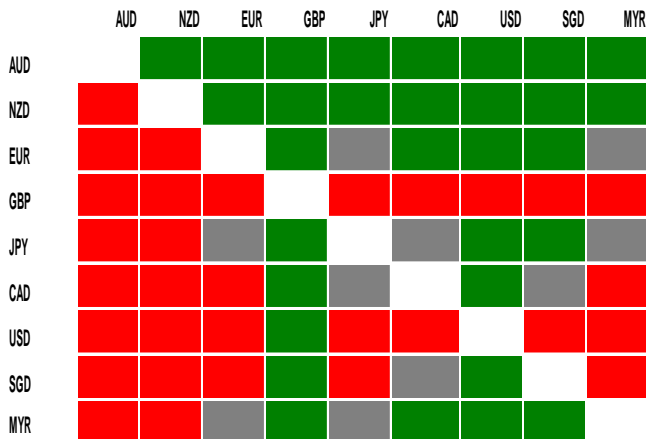
Source: Bloomberg

**Technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.2243	1.2300	1.2323	1.2341	1.2400
GBP-USD	1.3985	1.4000	1.4076	1.4100	1.4229
AUD-USD	0.7617	0.7643	0.7657	0.7700	0.7806
NZD-USD	0.7166	0.7178	0.7198	0.7200	0.7285
USD-CAD	1.2773	1.2900	1.2920	1.3000	1.3093
USD-JPY	104.99	106.00	106.64	107.00	107.16
USD-SGD	1.3079	1.3100	1.3118	1.3158	1.3197
EUR-SGD	1.6109	1.6133	1.6165	1.6200	1.6240
JPY-SGD	1.2252	1.2300	1.2302	1.2400	1.2525
GBP-SGD	1.8400	1.8405	1.8464	1.8500	1.8660
AUD-SGD	1.0010	1.0020	1.0044	1.0100	1.0334
Gold	1303.60	1304.71	1326.30	1331.70	1348.44
Silver	16.15	16.20	16.29	16.30	16.67
Crude	63.01	64.50	64.59	64.60	66.37

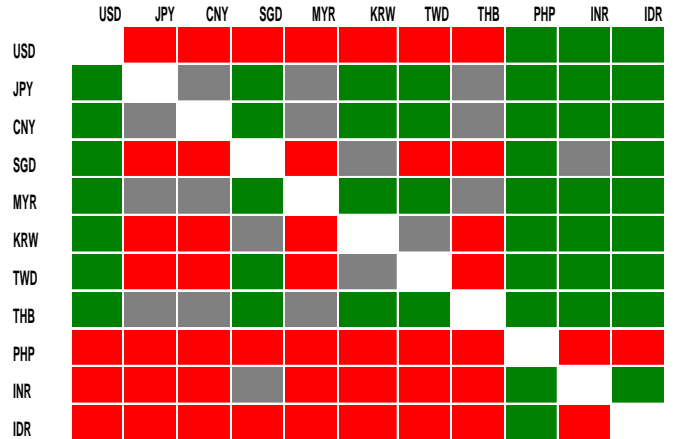
Source: OCBC Bank

**G10 FX Heat Map**



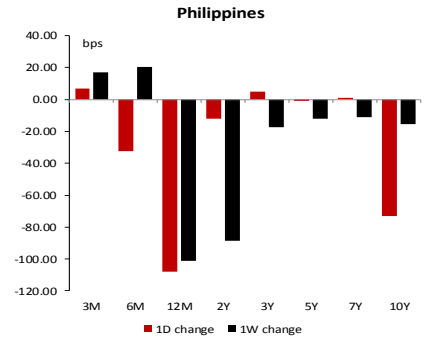
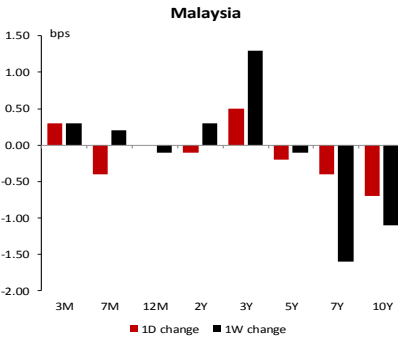
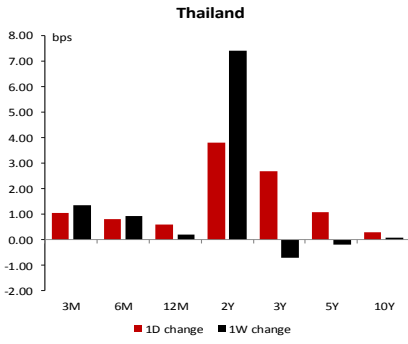
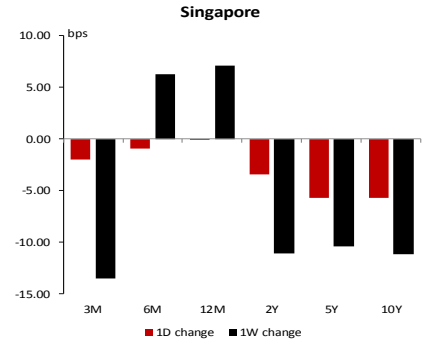
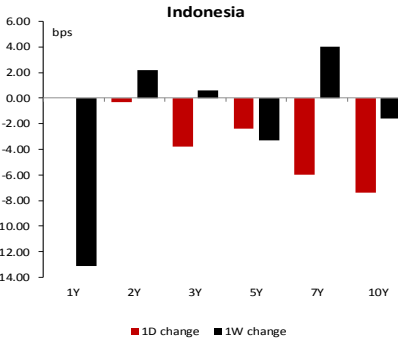
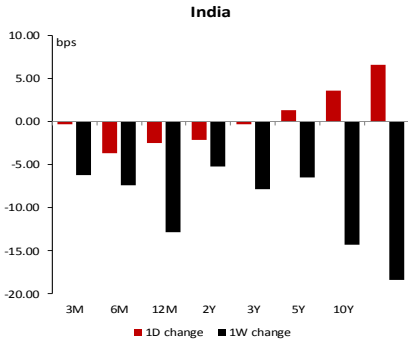
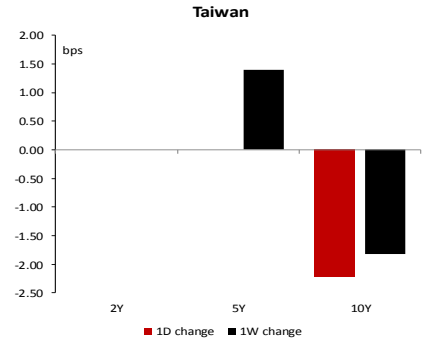
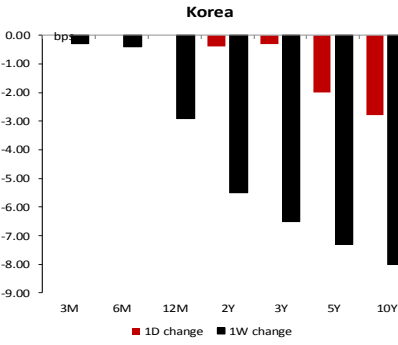
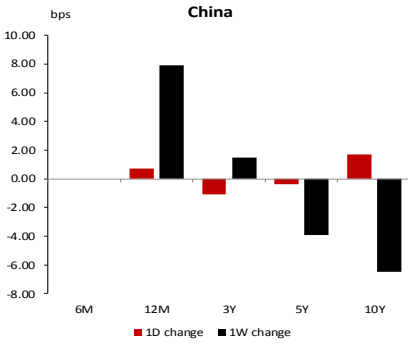
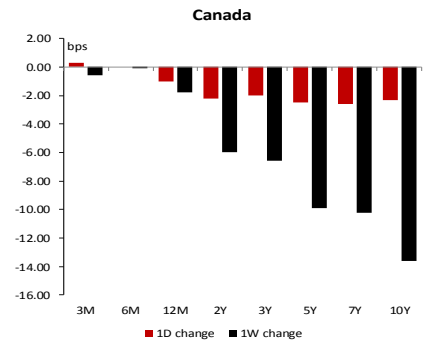
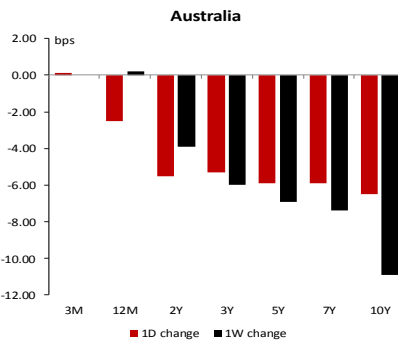
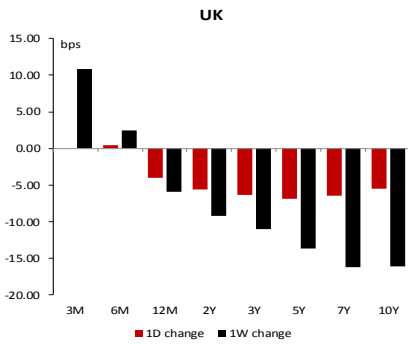
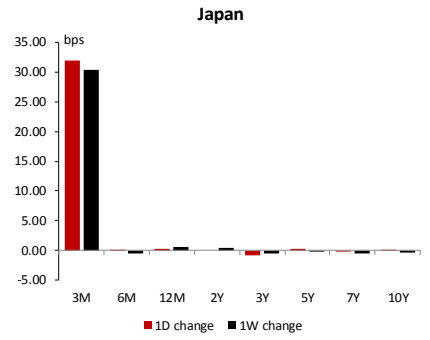
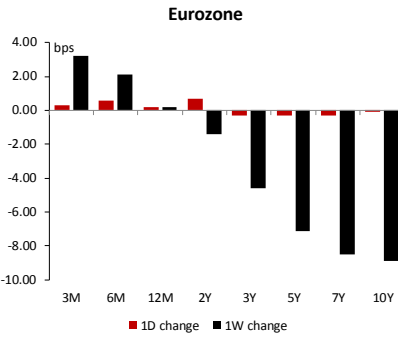
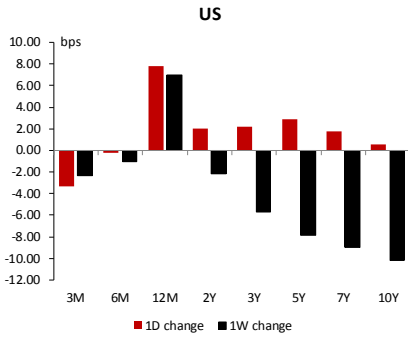
Source: OCBC Bank

**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	Borad 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

Source: OCBC Bank



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