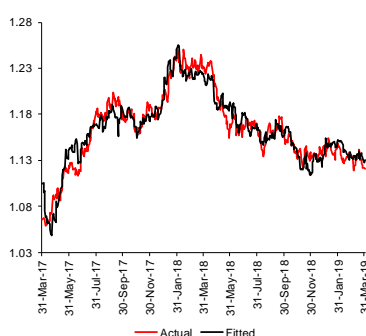


Tuesday, April 02, 2019

Market Themes/Strategy/Trading Ideas – Refreshed FX forecasts

- The USD slipped against the cyclical currencies and gained against the JPY and CHF and the better than expected China (and selected global) PMIs reignited global risk appetite levels. Note that in late trade, investor sentiment stumbled slightly as the UK parliamentary alternative Brexit votes failed again. **Global govie yields also bounced higher (10y UST > 2.50% on better than expected March ISM) but this left the USD supported on a rate differential perspective.** In commodity space, note that front-month WTI is close to 62.00.
- **Bullish bond narrative dented but not toppled?** Expect some re-pricing in terms of global central bank expectations and back-end yields in the very short term but the underlying bullish bond narrative may not be toppled as yet pending further central bank forward guidance and the evolving data stream.
- **FX – Something for everybody.** While risk sensitive currencies like the AUD-USD may continue to look to risk appetite gyrations, rate differential arguments essentially are attempting to guide the USD-JPY. Finally, relative central bank postures suggest potentially heavy EUR-CAD and EUR-NZD crosses.
- **Trade idea – Tactical short GBP-AUD.** With the bounce in the March China (and Asian) PMIs set against sustained Brexit uncertainty, we look to a tactical short GBP-AUD. From a spot ref of 1.8336 on Monday, we target 1.7815 and place a stop at 1.8600.

EUR-USD



March EZ manufacturing PMI and CPI readings were softer than expected, while the ECB's Draghi remained steadfastly dovish on Monday. Short term implied valuations are yet softer and the 1.1200 support is under serious threat, with 1.1155/75 up next.

Treasury Research &
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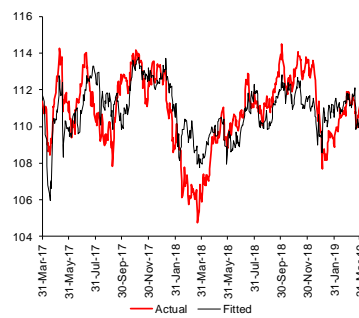
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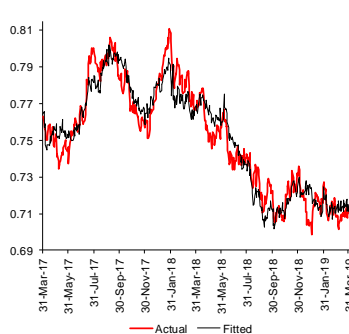
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USD-JPY

Short term implied valuations for the USD-JPY are being lifted by rate differentials and expect the USD-JPY to test its 200-day MA (111.48) ahead of 111.80 while the 100-day MA (111.00) should support intra-day.

AUD-USD

Look to the RBA meeting later today for further near term cues but note that short term implied valuations for the AUD-USD are relatively static despite the apparent improvement in risk appetite levels. 0.7085 should support with the 55-day MA (0.7124) seen capping ahead of the RBA.

GBP-USD

With PM May and the Parliament repeatedly failing to come to a consensus, GBP sentiment may continue to unravel as the UK runs down the clock. Ahead of a Cabinet meeting today, short term implied valuations for the pair remain suppressed, with the pair still deemed in overbought territory. Any loss of traction at the 55-day MA (1.3080) risks a deterioration to the 200-day MA (1.2975).

USD-CAD

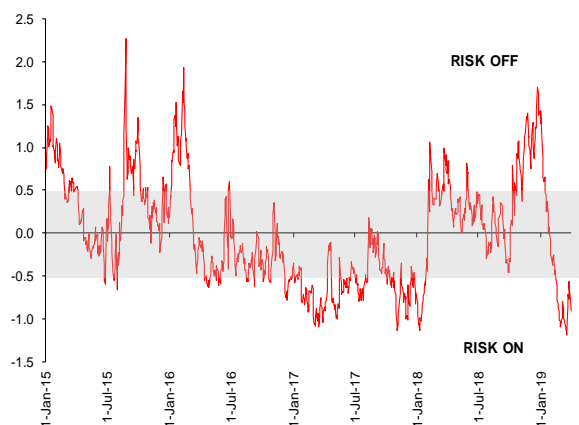
The CAD was boosted by fairly confident comments from the BOC's Poloz and firming crude. Technicals and short term implied valuations for the pair are top heavy with risk-reward profile we think tilted towards the 55-day MA (1.3284).

Source: OCBC Bank

Asian Markets

- Lingering positive risk sentiment meets higher UST yields** – With global equities higher on the temporary easing of growth concerns, positive risk sentiment continued to build. The **FXSI (FX Sentiment Index)** headed deeper into Risk-On territory. However, recovering Treasury yields also provide rate support for the broad USD. Expect these cross currents to buffet USD-Asia on both sides. **On balance, expect downside dips in USD-Asia to be limited (supported CNH DF curve at this juncture is instructive).**
- Asian portfolio flows – South Korea and India inflow momentum topping out?** Inflow momentum into South Korea near recent historical extremes, while India is experiencing highest inflow volume since 2018. We note, however, inflow momentum in the near term (rolling 20-day basis) may be topping out across Asia. On a more structural, rolling 60-day basis, however, Asian economies (except Malaysia and Thailand) continues to see inflow momentum push higher. Expect portfolio flows to impart background support for EM Asian currencies for now.
- USD-SGD – Range trading.** The SGD NEER eased lower this morning to +1.68% above its perceived parity (1.3783), as NEER-implied thresholds firmed up alongside the broad USD. Expect the USD-SGD pair to track the RMB complex for now, with the 55-day MA (1.3543) acting as a near term pivot.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1205	1.1300	1.1330
GBP-USD	1.2982	1.3000	1.3065	1.3096	1.3100
AUD-USD	0.7028	0.7100	0.7107	0.7120	0.7143
NZD-USD	0.6744	0.6745	0.6784	0.6800	0.6831
USD-CAD	1.3284	1.3300	1.3312	1.3400	1.3450
USD-JPY	110.62	111.00	111.32	111.48	112.00
USD-SGD	1.3500	1.3540	1.3553	1.3600	1.3610
EUR-SGD	1.5170	1.5171	1.5185	1.5200	1.5341
JPY-SGD	1.2090	1.2100	1.2174	1.2200	1.2240
GBP-SGD	1.7609	1.7700	1.7706	1.7722	1.7731
AUD-SGD	0.9544	0.9600	0.9631	0.9640	0.9645
Gold	1279.65	1280.80	1286.40	1300.00	1306.40
Silver	15.00	15.07	15.08	15.10	15.50
Crude	61.67	61.80	61.89	61.90	61.98

Source: OCBC Bank

Trade Ideas

Trade Ideas									
	Inception		B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale	
	TACTICAL								
1	05-Mar-19		S	AUD-USD	0.7074	0.6870	0.7175	Potentially dovish RBA, macro conditions soggy	
2	01-Apr-19		S	GBP-AUD	1.8336	1.7815	1.8600	Bounce in China PMI vs. Brexit uncertainty	
STRUCTURAL									
3	19-Mar-19			Long 2M USD-SGD 25-delta strangle Spot ref: 1.3508; Strikes: 1.3618, 1.3371; Exp: 16/05/19; Cost: 0.41%				Relatively depressed vol surface ahead of imminent global headline risks	
RECENTLY CLOSED TRADE IDEAS									
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)*
1	28-Feb-19	08-Mar-19	S	3M USD-CNH	6.6861		6.7350	Renminbi stability, PBOC policy backstop, conducive inflow environment	-0.73
2	27-Feb-19	13-Mar-19	S	1M THB-PHP	1.6536		1.6750	Contrasting flow dynamics	-1.29
3	07-Mar-19	13-Mar-19	B	USD-CAD	1.3430		1.3315	BOC stalls in its tightening bias	-0.85
4	23-Jan-19	21-Mar-19	B	GBP-AUD	1.8159		1.8440	Contrasting risk profiles in the near term	+1.35
5	14-Feb-19	25-Mar-19	B	USD-JPY	111.00		109.98	Dollar resilience, revival in risk appetite levels	-0.61

Revised FX Forecasts (as of 1 April)

	Spot	Jun-19	Sep-19	Dec-19	Mar-20
USD-JPY	111.11	111.75	110.40	109.05	107.70
EUR-USD	1.1238	1.1153	1.1292	1.1431	1.1570
GBP-USD	1.3075	1.3270	1.3350	1.3431	1.3511
AUD-USD	0.7126	0.7199	0.7255	0.7310	0.7366
NZD-USD	0.6828	0.6855	0.6937	0.6992	0.7048
USD-CAD	1.3348	1.3366	1.3250	1.3134	1.3018
USD-CHF	0.9954	0.9925	0.9820	0.9715	0.9610
 USD-SGD	 1.3535	 1.3430	 1.3387	 1.3343	 1.3300
USD-CNY	6.7087	6.6544	6.6029	6.5515	6.5000
USD-THB	31.728	31.56	31.21	30.85	30.50
USD-IDR	14235	14120	13963	13807	13650
USD-MYR	4.0800	4.0296	4.0040	3.9784	3.9528
USD-KRW	1134	1135	1121	1108	1094
USD-TWD	30.788	30.670	30.513	30.357	30.200
USD-HKD	7.8497	7.8490	7.8160	7.7830	7.7500
USD-PHP	52.55	52.50	52.05	51.60	51.15
USD-INR	69.16	68.19	67.62	67.06	66.50
 EUR-JPY	 124.86	 124.63	 124.66	 124.66	 124.61
EUR-GBP	0.8595	0.8405	0.8458	0.8511	0.8563
EUR-CHF	1.1186	1.1069	1.1089	1.1105	1.1119
 EUR-SGD	 1.5211	 1.4978	 1.5116	 1.5253	 1.5388
GBP-SGD	1.7698	1.7822	1.7872	1.7921	1.7970
AUD-SGD	0.9646	0.9668	0.9712	0.9754	0.9797
NZD-SGD	0.9243	0.9206	0.9286	0.9330	0.9374
CHF-SGD	1.3598	1.3531	1.3632	1.3735	1.3840
JPY-SGD	1.2182	1.2018	1.2126	1.2236	1.2349
SGD-MYR	3.0143	3.0004	2.9910	2.9816	2.9720
SGD-CNY	4.9562	4.9549	4.9325	4.9099	4.8872

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