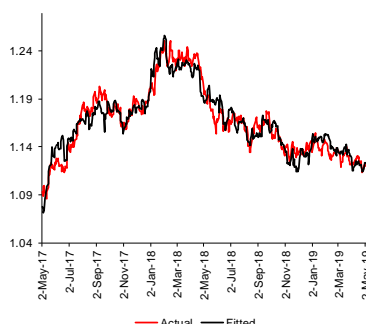


Thursday, May 02, 2019

**Market Themes/Strategy/Trading Ideas**

- Despite disappointing April ISM readings, the dollar received a boost as the **Fed's Powell** unequivocally staked out a neutral policy path at the FOMC on Wednesday. The UST curve bear flattened with yields bouncing off intra-day lows. Meanwhile, a slight hiccup in risk appetite also saw the JPY and CHF outperforming across the board.
- Little in the way of substantive headlines emerged from the conclusion of Sino-US trade talks. Meanwhile, negative EZ/US equities saw the **FXSI (FX Sentiment Index)** inch higher again within Risk-On territory, with the Index now within reach of its Risk-Neutral zone.
- Ahead of the US NFP tomorrow and BOE MPC today, expect the USD to hold the high ground as investors now pivot their attention to the expected time paths of the other major central banks after the FOMC. **As we noted previously, structural relative macro outperformance and perceived policy disparity between the Fed and the other major central banks may continue to underpin the USD for now.**

**EUR-USD**

**Stabilizing.** Despite the FOMC overnight, the EUR-USD may stabilize somewhat in the near term after the latest supportive data run out of the EZ earlier this week. April EZ manufacturing PMIs are due today and expect 1.1200 to anchor in the interim.

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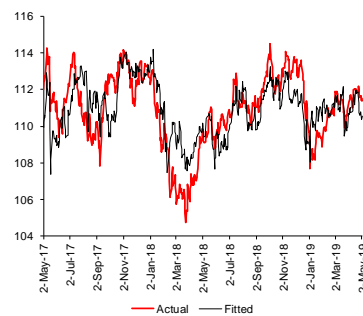
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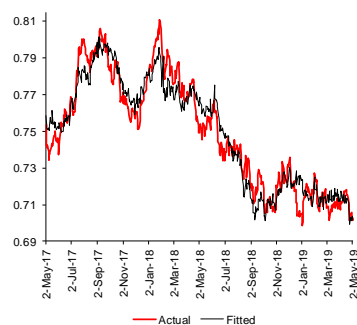
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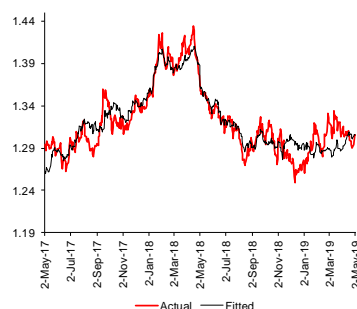
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**USD-JPY**

**Heavy range.** Still favor a top heavy profile for the USD-JPY in the near term, especially if risk appetite levels continue to waver. Short term implied valuations are still laden and the pair may not depart significantly to the top side relative to its 200-day MA (111.51). Initial support expected towards the 55-day MA (111.31) before 111.00.

**AUD-USD**

**Hunt lower.** Short term implied valuations for the pair remain suppressed and in alignment with short term technicals. Markets will now have to square expectations surrounding the Fed with that of the RBA, and we see risks to meaningfully challenge the 0.7000 floor, with 0.7050 expected to cap.

**GBP-USD**

**Waiting for the BOE.** In the absence of unduly negative news flow out of the Brexit-related tangle, the GBP\_USD may be slightly supported ahead of the BOE MPC today. Short term implied valuations for the pair are also holding steady at this juncture. In the interim, expect the pair to be blockade by 1.3000 down south while the 55-day MA (1.3096) should cap.

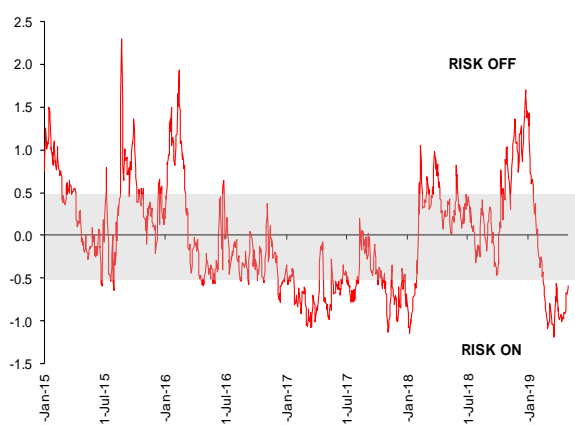
**USD-CAD**

**Range.** The April manufacturing PMI disappointed at 49.7 but the USD-CAD may remain restrained (albeit top heavy) within a range. In the interim, expect the pair to trawl a 1.3385-1.3485 range although the underlying bias may be to head higher beyond the short term.

## Asian Markets

- **USD-Asia to be supported.** Slightly fragile EM sentiment should see USD-Asia on a supported plane today with the Asian manufacturing PMIs also due early in Asia. With China away for the rest of the week, onshore renminbi will also provide little guidance. Investors will now have to bounce between the themes of a **neutral Fed** and their estimation of China's macro bottoming (note disappointing China PMIs earlier this week).
- **Watch Asian central bank reactions post-FOMC.** On the macro front, note also that April core inflation readings for Thailand and South Korea warmed further from the previous month with Indonesia's inflation readings also due today. Structurally, as noted previously, Asian central banks may remain reticent towards inciting excessively dovish policy expectations (especially now with Powell's remarks overnight). As such universal bond bullishness (perhaps more confined to South Korea and Taiwan for now) may give way to a more selective environment across the region. **Overall, with risk appetite levels also capitulating, the goldilocks scenario of a suppressed interest rate environment, comfortable rate differentials, and stable FX, may be increasingly called into question.**
- **On the flow front,** net inflow momentum for South Korea and Taiwan continue to hold up while Indonesia registered a jump in net equity inflows early in the week. Elsewhere, Thailand is still in a steady negative deficit in terms of net outflows but the Philippines (note the latest sovereign rating upgrade from S&P) is on the flip side with a sustained net equity inflow environment.
- **USD-SGD – Consolidative.** The SGD NEER is firmer from Tuesday at around +1.64% above its perceived parity (1.3831) with NEER-implied valuations a touch lower. Meanwhile, despite mild expectations for USD outperformance, expect USD-SGD to trade on a more consolidative tone with resistance seen at 1.3630 with support expected towards 1.3580.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1118	1.1130	1.1136	1.1200
GBP-USD	1.2866	1.2881	1.2890	1.2900	1.2961
AUD-USD	0.7000	0.7015	0.7019	0.7100	0.7107
NZD-USD	0.6600	0.6607	0.6636	0.6700	0.6728
USD-CAD	1.3337	1.3400	1.3477	1.3483	1.3500
USD-JPY	111.31	111.51	111.68	112.00	112.35
USD-SGD	1.3543	1.3600	1.3616	1.3617	1.3652
EUR-SGD	1.5150	1.5153	1.5154	1.5200	1.5280
JPY-SGD	1.2100	1.2167	1.2191	1.2200	1.2212
GBP-SGD	1.7521	1.7547	1.7551	1.7600	1.7694
AUD-SGD	0.9542	0.9546	0.9557	0.9600	0.9625
Gold	1264.23	1266.00	1275.80	1299.97	1300.00
Silver	14.77	14.90	14.94	14.98	15.00
Crude	61.11	64.70	64.79	64.80	66.60

Source: OCBC Bank

### Trade Ideas

	Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale		
	TACTICAL							
1	24-Apr-19	S	GBP-USD	1.2933	1.2495 1.3155	Sustained Brexit uncertainty and pressure to oust PM May		
	STRUCTURAL							
2	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	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
2	02-Apr-19	05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
3	05-Mar-19	11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13
4	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61

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