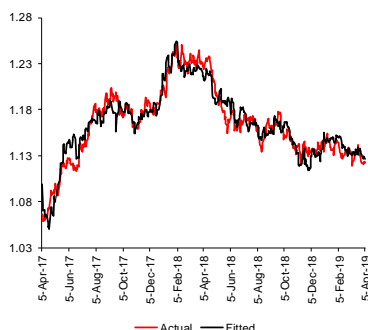


Friday, April 05, 2019

Market Themes/Strategy/Trading Ideas

- The majors were mildly weaker against the USD on Thursday with little to boost investor sentiment. EUR was weighed by drastically disappointing German Feb factory orders while concrete progress in the ongoing Sino-US talks remained largely lacking (no summit date announced). On other fronts, the UK political deadlock continued to leave the GBP on unsteady ground.
- Early morning, positive risk sentiments were given a slight boost by President Xi's upbeat comment on the Sino-US trade front. Nevertheless, the risk rally may be showing some signs of exhaustion, with only nice sound-bites but no concrete developments to chew on. Overall, UST (despite lower than expected weekly initial claims) and bund yields shaded lower while the **FXSI (FX Sentiment Index)** inched lower within Risk-On territory.
- **Negative European complex expected while USD-JPY searches higher** - Sino-US talks are expected to continue into Friday with the US NFP also due at 1230 GMT. In the intervening hours, expect sentiment to remain on edge and the DXY may continue to eye the 97.50 neighborhood as markets continue to watch for ensuing headlines (especially on the Sino-US front). **To this end, USD-JPY continues to contain less ambiguity – potentially search higher.**
- On the calendar, apart from the NFP, track German industrial production (0600 GMT) for another read on the European economic pulse. Expect central bank related headline risks next week, with the ECB policy meeting coinciding with FOMC minutes on Wed.

EUR-USD

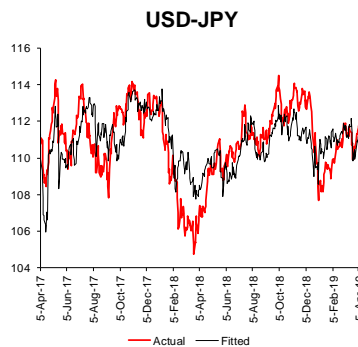


Short term implied valuation and technicals for the EUR-USD remain heavy with the ECB minutes also failing to instill any support. Elsewhere, rate hike expectations surrounding the ECB continue to dilute. Preference to fade upticks within 1.1200-1.1250.

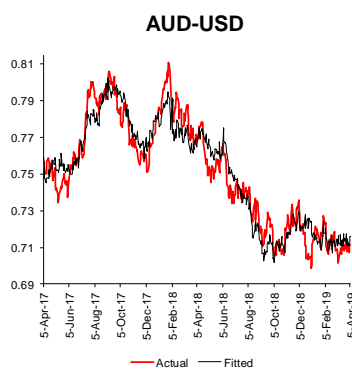
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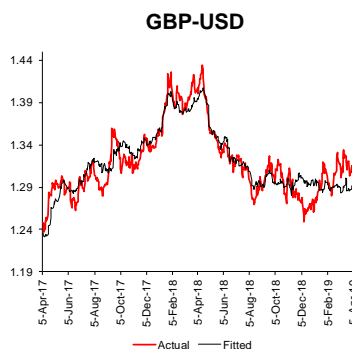
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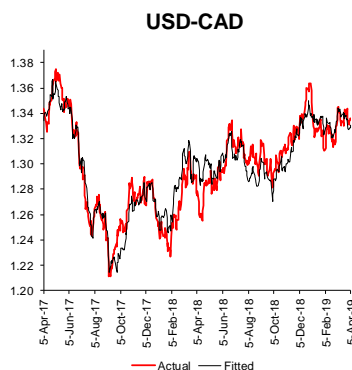
With less than dovish remarks from Fed speakers (Harker, Mester, Williams), short term implied valuations and technicals continue to imply a firmer profile for USD-JPY. Any sustained ability to hold above the 200-day MA (111.49) sets up the pair to challenge 112.00-112.15 neighborhood.



Expect the AUD-USD to remain a bellwether for Sino-US headlines while short term implied valuations for the pair we think remain constructive. Beyond the 55-day MA (0.7120), expect headroom to extend towards 0.7150.



With no end to the May-Corbyn talks and amid chatter of another referendum, sentiment towards the GBP-USD may deteriorate further into the weekend. Heavy technicals are being confronted by supportive short term implied valuations but we think any failure to re-take the 55-day MA (1.3092) may invite a revisit of the 200-day MA (1.2975).



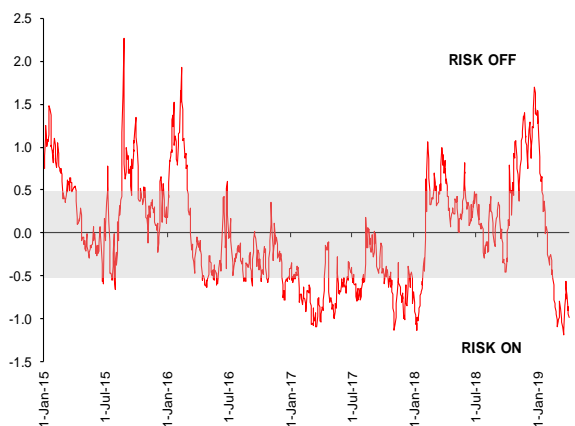
US and Canadian labor market numbers (1230 GMT) may be a source of volatility into the end of the week. Meanwhile, the pair may remain somewhat conflicted amid mixed signals from both short term implied valuations and technicals. Look for a range between the 100-day MA (1.3327) and 1.3400 in the interim.

Source: OCBC Bank

Asian Markets

- EM equities were flat to a touch firmer overnight with EM risk premiums looking suppressed. Greater China is away on a public holiday but any Sino-US headlines may dictate risk appetite. In the interim, USD-Asia may remain somewhat supported pending headline risks.
- The **RBI** delivered the second consecutive 25 bps rate cut, reversing the two rate hikes in 2018. Inflation and growth downgrades leave room for further cuts later in the year. The official stance was, however, kept at neutral, somewhat disappointing sections of the market, leaving govie yields higher on the day. Nevertheless, the dislocation lower in front-end yields in the run up to the rate cuts open up room for the back-end yields to play catch-up, although that dynamic may be complicated by fiscal concerns surrounding the upcoming elections.
- **USD-SGD – Slightly top heavy.** The SGD NEER is within the +1.70% to +1.80% range, standing at +1.75% above its perceived parity (1.3781) this morning. The NEER-implied thresholds were firmer on the day. USD-SGD may continue to exhibit little inclination for realized volatility at this juncture and may choose to orbit its 55-day MA (1.3542) closely.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1224	1.1300	1.1322
GBP-USD	1.2975	1.3000	1.3078	1.3097	1.3100
AUD-USD	0.7100	0.7118	0.7119	0.7135	0.7199
NZD-USD	0.6734	0.6739	0.6752	0.6800	0.6828
USD-CAD	1.3288	1.3300	1.3361	1.3400	1.3436
USD-JPY	111.00	111.49	111.69	112.00	112.11
USD-SGD	1.3500	1.3537	1.3549	1.3588	1.3600
EUR-SGD	1.5171	1.5200	1.5208	1.5300	1.5327
JPY-SGD	1.2081	1.2100	1.2130	1.2200	1.2224
GBP-SGD	1.7650	1.7700	1.7720	1.7730	1.7800
AUD-SGD	0.9600	0.9635	0.9646	0.9649	0.9699
Gold	1279.50	1280.40	1291.70	1300.00	1306.94
Silver	15.05	15.10	15.11	15.20	15.48
Crude	61.62	62.00	62.07	62.10	62.99

Source: OCBC Bank

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	02-Apr-19	S	EUR-CAD	1.4923 1.4685 1.5045	Dovish ECB vs. relatively more sanguine BOC		
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
6	01-Apr-19 02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42

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