

**Tuesday, May 07, 2019**

### Market Themes/Strategy/Trading Ideas

- Resurgent Sino-US trade tensions sent the dollar higher across the board on Monday with the antipodeans underperforming across the board while the JPY firmed universally as risk appetite evaporated.
- The sharp drop in global equities (notably in EM space) and shakeout in investor sentiment on Monday saw the **FXSI (FX Sentiment Index)** move into Risk-**Neutral** territory (**a first since 15 Feb 2019**) from Risk-On territory. Note also softer UST and bund yields on a flight to safety.
- **Safety in the USD.** Sino-US trade talks on Wednesday in Washington are still set to proceed (watch if Vice Premier Liu He will attend as scheduled) but if the headlines in the coming days continue to point to an escalation of tensions, expect the further deterioration of global risk appetite to be accompanied by the attendant vulnerability for the cyclical and EM assets.
- Today's calendar also brings the RBA policy meeting (0430 GMT) while central bank appearances include the Fed's Kaplan (1100 GMT), Quarles (1535 GMT), and the BOE's Haldane (1630 GMT). In Asia, BNM's policy decision is due at 0700 GMT.

Treasury Research &  
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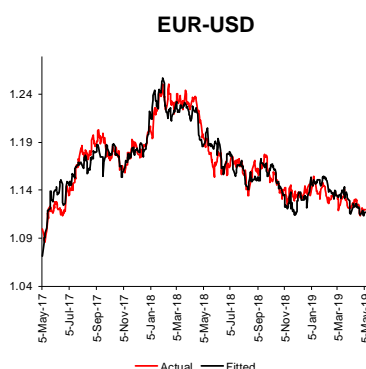
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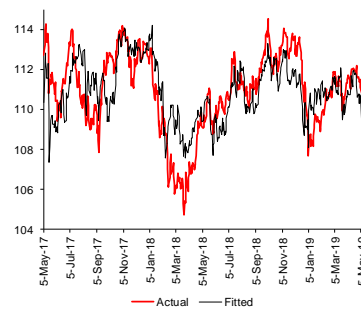
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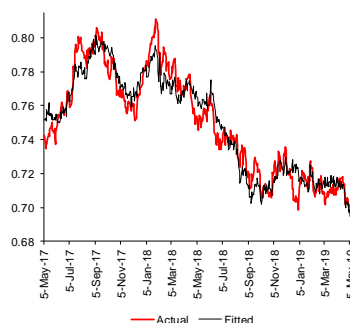
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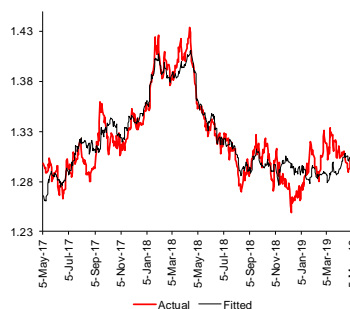
**Consolidation.** Short term implied valuations for the EUR-USD are attempting to find their footing for now and some consolidation may set in intra-day. Topside for the pair may be tempered by inherent USD resilience from a structural viewpoint. As such, 1.1230 may lie for now. Meanwhile, downside support is expected towards 1.1125.

**USD-JPY**

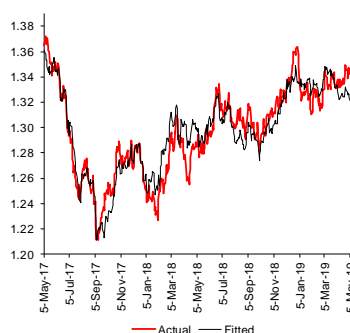
**Drive lower.** BOJ MPC minutes due early Wednesday may be overshadowed by current risk appetite gyrations. To this end, risks for the pair remain skewed to the downside with initial supports seen at the 100-day MA (110.61) and then at 110.50. Short term implied valuations for the pair meanwhile remain dislocated lower relative to late last week.

**AUD-USD**

**Watch for RBA.** Apart from investor sentiment fluctuations, the RBA meeting today may provide the next burst of directionality for AUD-USD with 0.7000 serving as a near term junction. In the interim, risks for the pair we think remain to the downside with technicals and short term implied valuations concurring.

**GBP-USD**

**Localized?** GBP prospects may remain more localized and slightly more insulated from the current Sino-US static. Attention may once again return to cross party talks domestically as we head into mid-week with short term implied valuations remaining stable at this juncture. In the interim, the 55-day MA (1.3105) may anchor amidst a supported tone.

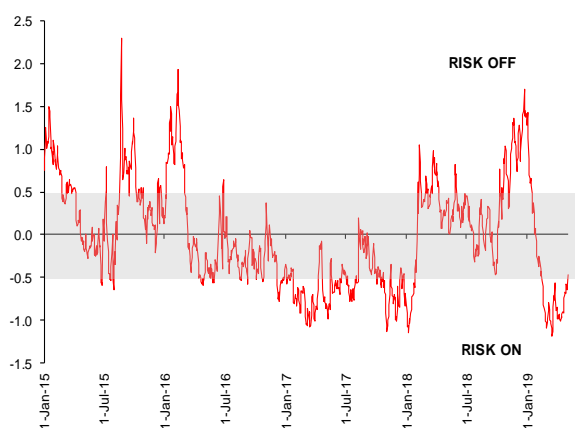
**USD-CAD**

**Range bound.** Given the current Sino-US uncertainty in global markets, the pair may continue to resist significant downside probes in the current environment. Supported technicals for USD-CAD remain at odds with soggy and laden short term implied valuations, and this may continue to confine the pair within 1.3400-1.3500.

## Asian Markets

- **USD-Asia** EM FX (especially TRY, ZAR) was also hit hard overnight but some modicum of stabilization in Asia on Tuesday morning may be taking root for now. **The danger now is that the Sino-US static this week may potentially spark contagion and infection farther afield and incite a generalized and sustained sell off in risk-related assets across the globe.**
- To this end, note that EM equities in general have continued to wobble over the past month, although regional carry has remained none the worse for wear thus far. Regarding the latter, we reiterate that the net portfolio situation for South Asia continues to deteriorate, leaving the southern currencies (INR, IDR, THB) increasingly exposed to exogenous shocks.
- **USD-SGD – Upside buoyancy.** USD-SGD may remain beholden to any USD flex higher and/or deterioration in risk appetite emanating from negative Sino-US static. Despite some consolidation at this juncture, we think the 200-day MA (1.3652) remains fair game, with initial support expected into 1.3600. The SGD NEER is firmer at +1.52% above its perceived parity (1.3836) with NEER-implied USD-SGD thresholds softer on the day.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1123	1.1200	1.1205	1.1262	1.1300
GBP-USD	1.3100	1.3106	1.3118	1.3174	1.3200
AUD-USD	0.6963	0.7000	0.7001	0.7090	0.7100
NZD-USD	0.6580	0.6600	0.6610	0.6700	0.6723
USD-CAD	1.3371	1.3400	1.3422	1.3500	1.3512
USD-JPY	110.00	110.02	110.71	110.76	111.00
USD-SGD	1.3557	1.3600	1.3628	1.3652	#N/A
EUR-SGD	1.5200	1.5268	1.5270	1.5300	1.5310
JPY-SGD	1.2245	1.2300	1.2309	1.2310	1.2381
GBP-SGD	1.7767	1.7800	1.7877	1.7893	1.7900
AUD-SGD	0.9489	0.9500	0.9541	0.9600	0.9611
Gold	1261.99	1266.00	1284.10	1293.10	1300.00
Silver	14.61	14.80	14.85	14.90	14.95
Crude	61.40	62.20	62.24	62.30	66.29

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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