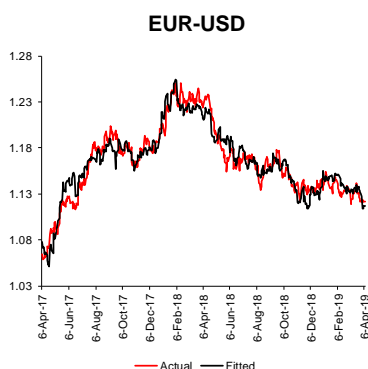


Monday, April 08, 2019

Market Themes/Strategy/Trading Ideas

- Despite pressure on the Fed to cut by President Trump, the USD strengthened across G10 space on Friday following the better than expected US March NFP numbers (although average hourly earnings were softer than expected – pressuring UST yields lower). GBP trailed its peers with PM May scheduled to request for a Brexit extension to 30 June 2019 this Wednesday at the EU Summit in Brussels. Amid positive EZ/US equities, the **FXSI (FX Sentiment Index)** ticked higher but remained in Risk-On territory, essentially ending lower on the week on improved investor sentiment.
- **Supported DXY** - The **DXY** may attempt to surface above the 97.50 handle this week, especially if the ECB meeting and FOMC minutes on Wednesday continue to weigh on the Index. **To this end, we are heavy on the EUR-USD, supportive towards USD-JPY, while ranging the cyclicals.** On the calendar, China March CPI/PPI readings on Thursday, March trade numbers on Friday, and March monetary/lending aggregates (sometime this week) may give further cues for the cyclicals.



The US NFP numbers only underscore our prevailing view and short term implied valuation and technicals for the EUR-USD remain top heavy. Stay the course with a preference to fade upticks within 1.1200-1.1250.

Treasury Research &
Strategy

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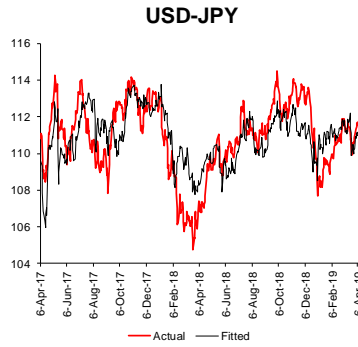
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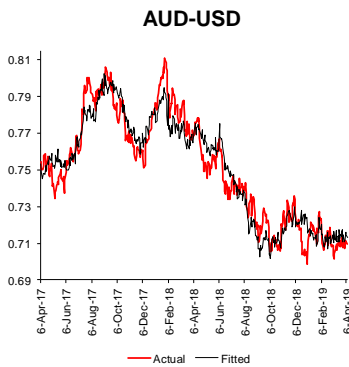
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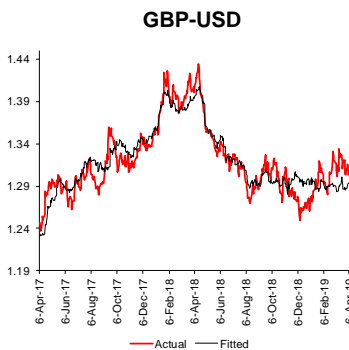
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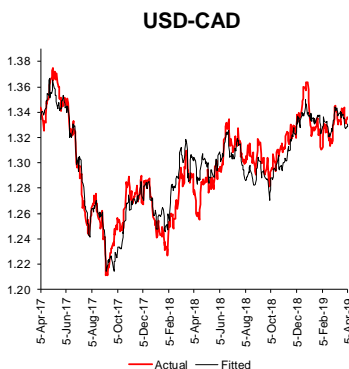
Short term implied valuations for the USD-JPY are looking relatively supported post-NFP. Even if the 200-day MA (111.50) is breached, expect good support to emerge at the 100-day MA (110.94). Risk to this view is if risk aversion pops onto investor screen again in the coming sessions.



Still expected to be trapped within a range pending the global data pulse and the RBA's DeBelle on Wednesday and Thursday. Note the yet another string of rejections of the 55-day MA (0.7118) and 0.7050 may beckon instead.



Brexit-related headlines will be expected to dominate this week. Meanwhile, GBP-USD has been converging southwards with slightly more supported short term implied valuations, erasing overbought conditions. Nonetheless, as noted previously, any heightened nervousness may see the pair settling lower towards its 200-day MA (1.2974).



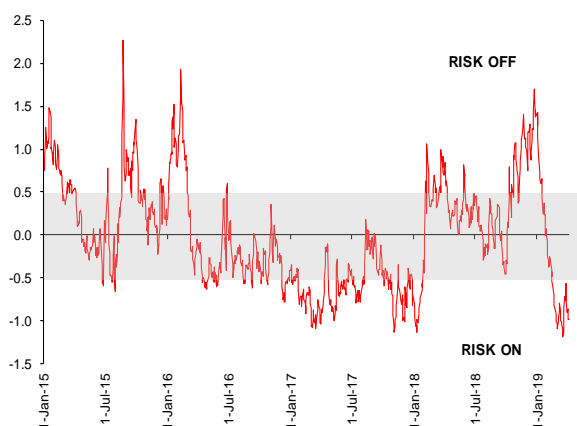
Disappointing March labor market numbers set against the US NFP numbers may argue for a supported profile for the pair (at least on dips). Expect notable support from the 100-day MA (1.3329) with 1.3435 offering resistance.

Source: OCBC Bank

Asian Markets

- USD-Asia – Selectivity remains key.** This week, EM Asia will probably look to China and the RMB complex for cues, especially the aggregate financing and money supply data later in the week. For now, still buoyant risk sentiment may offer some modicum support for Asian FX but note the firewall (against a firmer USD) from a heavy USD-Renminbi complex moderating in recent weeks.
- Asia flow environment – Some divergence in the equity front.** Latest reading from EPFR reveal continued implied equity outflows from Asia, with China, South Korea and India most severely impinged. This contrasts with the recent uptick in actual equity inflow momentum into Asia, and puts the sustainability of that run into question. More consistency in the bond front, however, with implied and actual inflow momentum consistently at healthy levels.
- USD-SGD – Surprises not likely.** The SGD NEER is largely static, standing at +1.74% above its perceived parity (1.3790) this morning, although NEER-implied thresholds were marginally firmer. Continue to expect the USD-SGD to revolve around the 55-day MA (1.3541) – likely supported on dips at the onset of the week. Meanwhile, 1Q GDP and the MAS MPS are scheduled for Friday with the vol surface not pricing in any surprises. **Our base case is for the MAS to keep the slope, width and centre level of the SGD NEER unchanged.**

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1221	1.1300	1.1318
GBP-USD	1.2980	1.3000	1.3048	1.3094	1.3100
AUD-USD	0.7003	0.7062	0.7098	0.7100	0.7116
NZD-USD	0.6714	0.6719	0.6731	0.6734	0.6800
USD-CAD	1.3290	1.3300	1.3371	1.3400	1.3435
USD-JPY	110.79	111.00	111.48	111.49	112.00
USD-SGD	1.3500	1.3538	1.3558	1.3584	1.3600
EUR-SGD	1.5171	1.5200	1.5213	1.5300	1.5322
JPY-SGD	1.2081	1.2100	1.2162	1.2200	1.2220
GBP-SGD	1.7591	1.7600	1.7691	1.7700	1.7718
AUD-SGD	0.9562	0.9600	0.9623	0.9634	0.9648
Gold	1279.50	1280.52	1293.40	1300.00	1306.82
Silver	15.05	15.10	15.15	15.20	15.47
Crude	61.62	63.40	63.45	63.49	63.50

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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