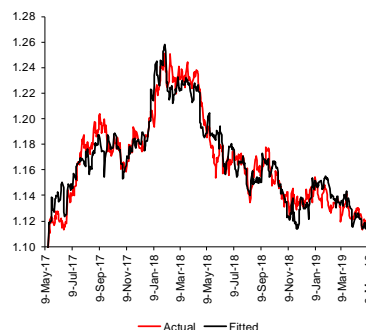


Thursday, May 09, 2019

### Market Themes/Strategy/Trading Ideas

- With a tailwind provided by firmer UST yields, stubborn Sino-US trade tensions (China warned of countermeasures) kept the dollar (and the JPY) relatively buoyant against the majors on Wednesday with the antipodeans also under performing across the board. Elsewhere, the RBNZ delivered a 25bps rate cut to 1.50% as widely expected and left markets with a largely neutral prognosis. Meanwhile, the **FXSI (FX Sentiment Index)** dipped slightly with the Index remaining within Risk-Neutral territory.
- Watch for developing headlines (and tweets) from the Sino-US trade talks in Washington today (and tomorrow) with the Fed's Powell also scheduled at 1230 GMT. In the interim, expect the USD to continue to flex against its counterparts, especially against the cyclical/EM/Asia.

EUR-USD



**Stabilizing.** EUR-USD managed to hold relatively steady on Wednesday (note surprise expansion in German March industrial production) with the ECB's Draghi also noting increasing wage pressures. Thus despite structural vulnerability, the pair may remain supported on dips and hug the 1.1200 neighborhood in line with its short term implied valuations.

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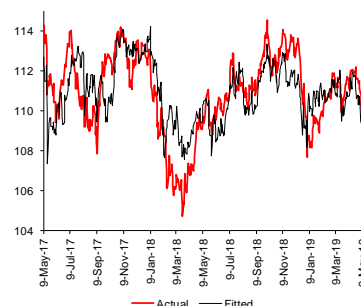
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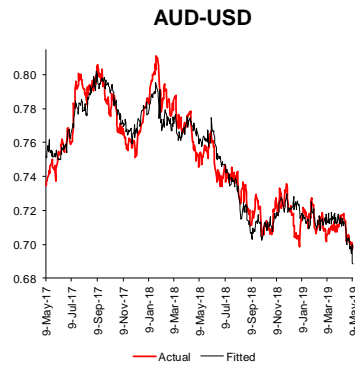
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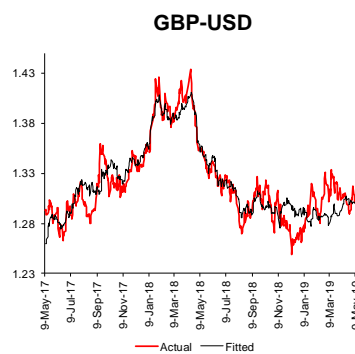
USD-JPY



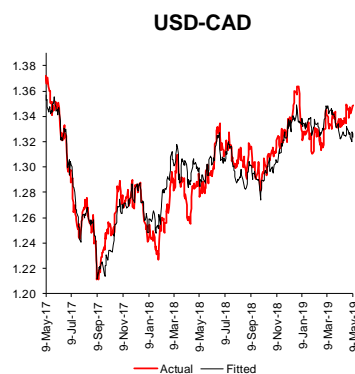
**Southbound.** With investors still jittery, we see little change to the near term outlook and short term implied valuations for USD-JPY remain heavy. The 110.00 support is still under imminent threat and subsequent support is expected towards 109.70.



**Heavy again.** Fragility in global sentiment may continue to keep the AUD-USD's head under the 0.7000 mark in the near term. Meanwhile, note that short term implied valuations are drilling lower once again and 0.6925 may attract risk appetite continues to dissolve.



**Undecided.** Amid negative political static and generalized USD resilience, the GBP-USD leaked lower to test below 1.3000 briefly. Short term implied valuations meanwhile are flatlining with little resolution in sight for cross-party negotiations. In the interim, the 200-day MA (1.2958) should support with 1.3075 likely to cap.

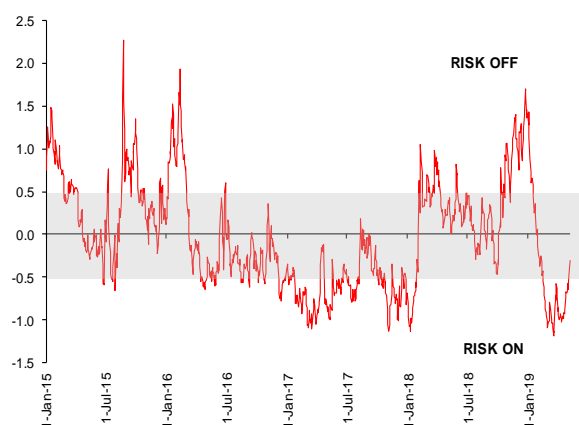


**Rangy.** USD-CAD may continue to remain a tad elevated relative to its slightly laden short term implied valuations given the current state of global market unease. Expect resistance towards 1.3530 with support expected to emerge on approach of 1.3420.

## Asian Markets

- USD-Asia Watch Sino-US tensions.** Expect USD-CNH to remain underpinned after floating above 6.8000 again overnight if trade war uncertainty persists. Thus, despite some stabilization in EM FX overnight (but EM equities continued to slip), USD-Asia (in aggregate) may remain skewed higher if markets remain nervous. **USD-CNH risksies and short term vols have launched higher since last Friday and expect market nervousness to remain palpable.** Expect also the Northern complex (KRW, TWD) and the SGD to track the USD-renminbi complex.
- China's** April exports numbers came in on the wrong side of expectations (surprise contraction of -2.7% yoy) on Wednesday and investors will look further to April CPI/PPI readings today. The **Bank of Thailand** remained static at 1.75% on Wednesday as widely expected with a neutral outlook. In the near term, the lifting veil of uncertainty on the political front may underpin the **THB** in the coming sessions but broad Sino-US trade tension volatility may override.
- On the **portfolio flow front**, overall net inflows into South Korea are improving on the back of net bond inflows although net equity inflows continue to soften. However, Taiwan has seen a drop off in net equity inflow momentum. Elsewhere, Indonesia and Thailand are registering net bond outflow momentum. In India, weakening net equity flows and net bond outflows are attempting to stabilize.
- USD-SGD Dragged higher.** USD-SGD may reject dips in the current environment with 1.3600 presenting a good floor while the 200-day MA (1.3652) remains in sight. The SGD NEER this morning is slightly firmer at +1.57% above its perceived parity (1.3847). NEER-implied USD-SGD thresholds are softer on the day but risk to the upside for the pair may continue to emanate from the Sino-US front.

### 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	05-Mar-19	11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13
2	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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