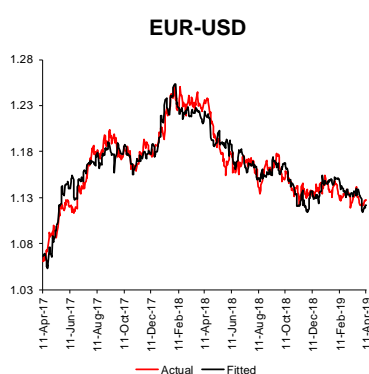


Thursday, April 11, 2019

Market Themes/Strategy/Trading Ideas

- Amid softer UST yields (US March core CPI readings softer than expected) and positive risk appetite levels, the dollar slipped against most of its G10 peers despite the FOMC minutes not revealing any new dovish insights and underscoring the catch phrase “patience”. Elsewhere, despite a sufficiently (but not significantly deepened) dovish posture from the ECB’s Draghi (portending further policy accommodation), the EUR-USD recovered from intra-day lows to end firmer while the **DXY** ended sub-97.00 for a 2nd consecutive session. The **FXSI (FX Sentiment Index)** ticked higher but remain entrenched in Risk-On territory.
- **Risk on and softer US yields imply a supported AUD-USD and a soggy USD-JPY** - Encouraged by the prospect of more global policy accommodation and a more measured demeanor from global central banks (as opposed to outright dovishness), better looking investor sentiment (and yield seeking behavior) may dictate the market’s tone today. **The DXY may thus settle towards its 55-day MA (96.602)**. Nevertheless, background global macro concerns (core govie yield curves were softer in unison with US Treasury yields) may continue to circulate and this may serve as a potential caveat.



EUR-USD may be slightly underpinned on the back of broad based USD weakness (and less due to ECB/Fed signals from overnight). Beyond 1.1300, the pair may run out of gas at the 55-day MA (1.1319), while 1.1250 may offer support.

Treasury Research &
Strategy

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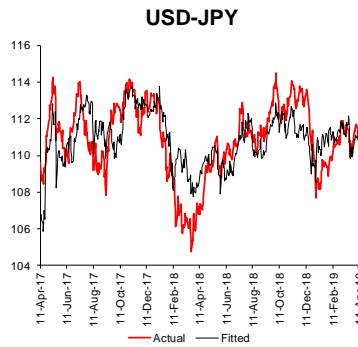
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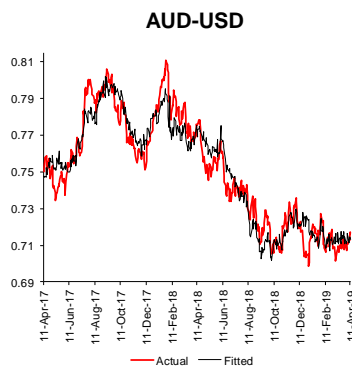
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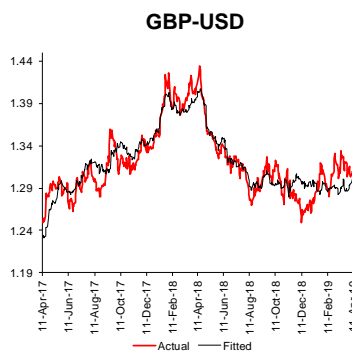
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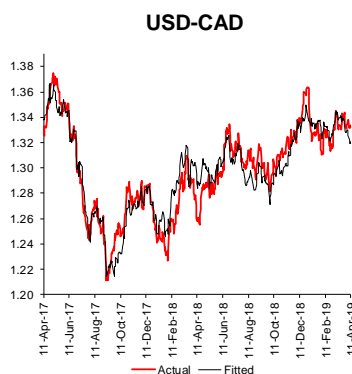
Short term implied valuations for the USD-JPY have ticked slightly lower and the pair may attempt to bleed lower towards its 55-day MA (110.76). On the top side, the 200-day MA (111.50) should resist. Overall, stay top-heavy on this pair.



With the RBA's Debelle less dovish than expected on Wednesday, investors may continue to build for the upside in the AUD-USD. Short term implied valuations are holding steady in the interim while technicals are looking increasingly constructive. Expect the pair to explore the top side of the range bordered by the 55-day MA (0.7121) and the 200-day MA (0.7196).



With the EU relenting (despite pushback from France) by granting a Brexit exit till 31 October 2019, short-end vols may be expected to remain suppressed. Short term implied valuations for the pair are waking up to further upside for the GBP-USD but investors may remain less than impressed at the latest Brexit extension (PM May still has to hawk it back home in Parliament). Overall, preference to fade upticks beyond the the 55-day MA (1.3097) and 1.3130 for 1.3050 instead.



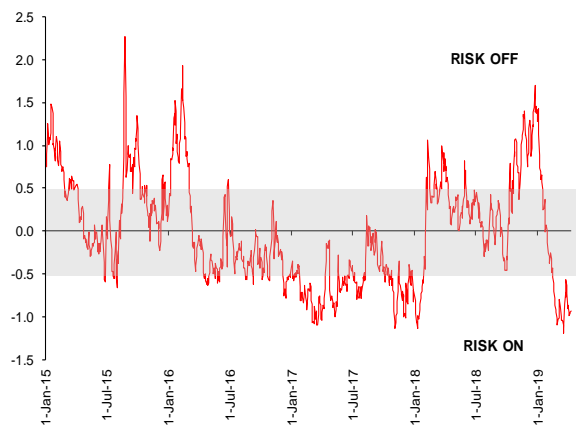
Short term implied valuations for USD-CAD remain suppressed in the current environment (including a supported crude complex). Risks towards the 55-day MA (1.3289) remain apparent and 1.3350 should continue to cap.

Source: OCBC Bank

Asian Markets

- USD-Asia – Positive risk sentiments keep USD-Asia heavy.** Despite more ominous global macro warnings from the IMF on Wednesday, positive EM equities/FX overnight coupled with a soggy broad USD may argue for a more laden USD-Asia intra-day. Comments from Mnuchin on “enforcement offices” between China and the US should also drive positive risk appetite further. Nevertheless, the main driver for near-term USD-Asia directionality will still be Chinese aggregate financing and money supply data, which is scheduled by end of the week. Outside of China space, regional govie yields are seen remaining steady to soft.
- Asia flow environment – Bond outflows in South Korea and India.** Bond outflows spurred a moderation of overall momentum in India and South Korea. Equity inflows, however, remain robust in India and continue to tick higher in South Korea. Equity flows into Taiwan and Philippines continue accelerate higher.
- USD-SGD – Range ahead of MAS MPS.** The SGD NEER eased back to +1.78% above its perceived parity (1.3770) this morning, after hitting a high above +1.85% above parity overnight. The NEER-implied USD-SGD thresholds softened further. The USD-SGD emerged from the ECB/FOMC risk events marginally softer. However, expect not much market excitement ahead of MAS MPS tomorrow, with both implied and realized vols for the USD-SGD still low. **Pair may shy away from its 55-day MA (1.3537) and be more inclined towards 1.3500/10 instead.**

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1276	1.1300	1.1307
GBP-USD	1.3000	1.3093	1.3099	1.3100	1.3299
AUD-USD	0.7112	0.7160	0.7161	0.7175	0.7196
NZD-USD	0.6719	0.6734	0.6767	0.6800	0.6819
USD-CAD	1.3298	1.3300	1.3344	1.3400	1.3433
USD-JPY	110.91	111.00	111.06	111.50	112.00
USD-SGD	1.3483	1.3500	1.3529	1.3540	1.3577
EUR-SGD	1.5171	1.5200	1.5254	1.5300	1.5311
JPY-SGD	1.2081	1.2100	1.2181	1.2200	1.2209
GBP-SGD	1.7700	1.7713	1.7721	1.7729	1.7800
AUD-SGD	0.9630	0.9687	0.9688	0.9698	0.9700
Gold	1281.77	1300.00	1306.60	1306.84	1320.93
Silver	15.03	15.10	15.19	15.20	15.43
Crude	61.55	64.40	64.41	64.50	64.79

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	
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	27-Feb-19 13-Mar-19	S	1M THB-PHP	1.6536	1.6750	Contrasting flow dynamics	-1.29
2	07-Mar-19 13-Mar-19	B	USD-CAD	1.3430	1.3315	BOC stalls in its tightening bias	-0.85
3	23-Jan-19 21-Mar-19	B	GBP-AUD	1.8159	1.8440	Contrasting risk profiles in the near term	+1.35
4	14-Feb-19 25-Mar-19	B	USD-JPY	111.00	109.98	Dollar resilience, revival in risk appetite levels	-0.61
5	01-Apr-19 02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
6	02-Apr-19 05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79

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