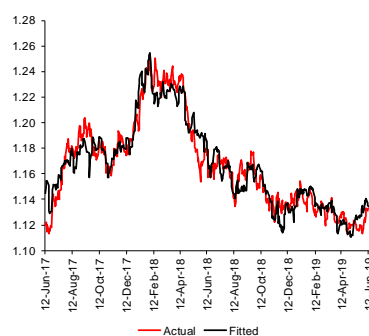


Wednesday, June 12, 2019

Market Themes/Strategy/Trading Ideas

- The majors ended mixed against the USD amid Trump's latest criticism of the Fed (rates are too high) and the undervaluation of other currencies (the EUR was mentioned). GBP rose against the USD and its peers on supportive data points and mixed BOE rhetoric. With wobbly US equities, the **FXSI (FX Sentiment Index) inched higher within Risk-Neutral territory**.
- **Trade tensions in focus.** On **Sino-US** trade matters, Trump also confirmed that he is personally holding up the deal until the G20 meeting (and China returns to terms it had reportedly reneged on) but so far, Chinese authorities have not confirmed the Xi-Trump meeting. Expect investors to remain antsy with US Commerce Secretary expecting no major breakthrough deals, while official rhetoric from China continues to harden.
- Look to China May CPI (0130 GMT) and US May CPI numbers today (1230 GMT) while we continue to look to central bank appearances for further cues. On this front, we have the ECB's Muller at 0800 GMT and Draghi at 0815 GMT, the RBA's Ellis at 0900 GMT, and the ECB's Guindos and Coeure at 0900 GMT and 1215 GMT respectively.
- **Stay supported on the EUR-USD and heavy on the USD-CAD in the interim but simmering trade tension uncertainty may continue to keep the likes of the AUD on an unsteady footing.**

EUR-USD



Firming stance. Despite short term implied valuations consolidating slightly lower, we'd prefer to bounce dips in the EUR-USD on approach of 1.1300 while the 200-day MA (1.1364) remains a near term resistance.

Treasury Research &
Strategy

Emmanuel Ng

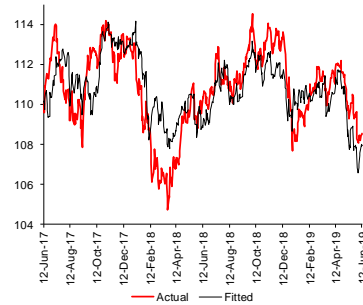
+65 6530 4037

ngcyemmanuel@ocbc.com

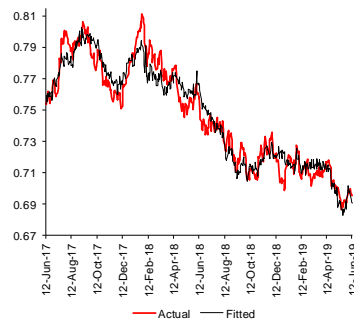
Terence Wu

+65 6530 4367

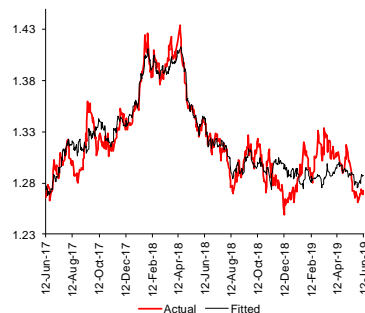
TerenceWu@ocbc.com

USD-JPY

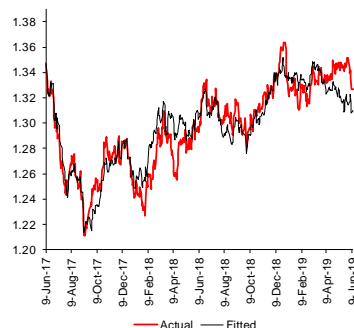
Top heavy range. Short term implied valuations for the USD-JPY continue to look supported but potential for USD vulnerability and/or risk aversion imply that a top heavy posture may continue to be preferred within 108.00-109.00.

AUD-USD

Neutral/heavy. Short term implied valuations for the AUD-USD are beginning to decay and this may continue to impose a near term ceiling on the pair. Watch for further developments from the China data and Sino-US trade front for further cues. In the interim, expect a tendency to be heavy within 0.6900-0.7000.

GBP-USD

Stabilizing. Positive reads from Apr/May labor market numbers may be near term supportive but markets received mixed cues from the BOE's Broadbent, Saunders and Vlieghe on Tuesday. Meanwhile, short term implied valuations are looking to find a bottom and the pair may continue to bounce on dips within 1.2650-1.2750 for now.

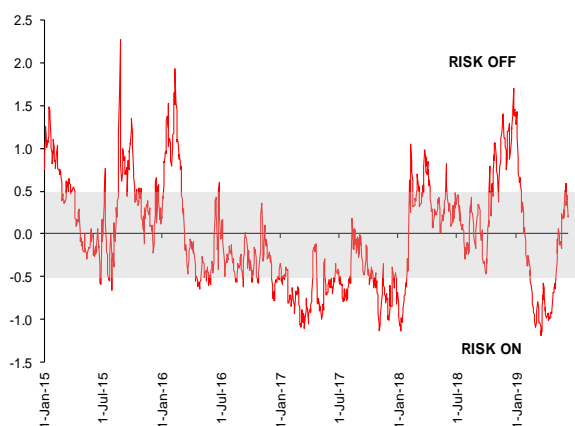
USD-CAD

Softer. Downside scope for the pair we think remains in play (barring a further slide in crude) with short term implied valuations for the pair still searching south. Preference to fade any updie departure from the 200-day MA (1.3275) towards for 1.3300 for 1.3250 instead.

Asian Markets

- **USD-Asia: Range-bound, slight bias higher.** Positive EM/FX equities from overnight (Chinese stocks boosted by further selective accommodation via infrastructure spending) and a heavy USD-CNH may give the USD-Asia a weighted posture on an intraday basis. Beyond the immediate horizon however, USD-Asia may be trapped between a softer USD profile on one hand, and weaker macro prints (note China CPI prints in-line with expectations) and escalating trade tensions on the other. Overall, we think this will leave the USD-Asia largely flat for now.
- **USD-CNH topside may be capped for now.** The PBOC continued to set the USD-CNY midpoint lower than the market expectations / model-driven estimates this morning. If this pattern persists, we think it underscores the determination by the PBOC to keep the USD-CNY and USD-CNH stable. Couple this with a lack of USD-positive impetus for now, we think the USD-CNH spot may remain reluctant on the upside at this juncture. Nevertheless, the CFETS RMB Index has continued to slip, and now stands sub-93.00. There is still room before the near-term floor at 92.00 level, though it is worth considering whether the “floor” will still exist under worsening trade tensions. For a more detailed RMB view, please see the [OCBC FX Viewpoint – Renminbi Pause](#).
- **USD-SGD: Fade upticks for now.** The USD-SGD faded slightly to hover around the 55-day MA (1.3637). The pair may continue to be cushioned above 1.3600/10, though the heavy posture may persist, pending further developments. On the topside, 1.3680 may be a near term cap. The SGD NEER firmed slightly in response, standing at +1.50% above its perceived parity (1.3838). NEER-implied USD-SGD thresholds turned lower on the day. Watch retail sales data release later today (0500 GMT).

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1219	1.1300	1.1328	1.1348	1.1380
GBP-USD	1.2603	1.2700	1.2718	1.2776	1.2800
AUD-USD	0.6865	0.6900	0.6951	0.7000	0.7009
NZD-USD	0.6482	0.6500	0.6573	0.6600	0.6623
USD-CAD	1.3256	1.3275	1.3285	1.3300	1.3412
USD-JPY	107.82	108.00	108.46	109.00	110.38
USD-SGD	1.3570	1.3600	1.3645	1.3646	1.3654
EUR-SGD	1.5314	1.5400	1.5457	1.5465	1.5480
JPY-SGD	1.2468	1.2500	1.2580	1.2600	1.2683
GBP-SGD	1.7266	1.7300	1.7354	1.7400	1.7570
AUD-SGD	0.9442	0.9460	0.9485	0.9500	0.9530
Gold	1291.85	1300.00	1326.90	1347.70	1349.10
Silver	14.25	14.70	14.76	14.79	14.80
Crude	50.60	52.40	52.47	52.50	59.65

Source: OCBC Bank

Trade Ideas

Inception		B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	14-May-19	S	AUD-JPY	76.12	73.90	77.20	Escalating Sino-US trade tensions	
2	07-Jun-19	B	EUR-USD	1.1266	1.1465	1.1165	Pitting the ECB against the FOMC	
STRUCTURAL								
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RECENTLY CLOSED TRADE IDEAS								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*
1	19-Mar-19	16-May-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	0.06

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