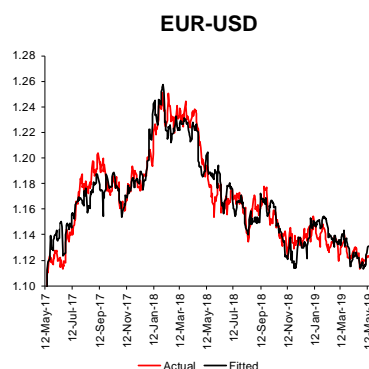


**Tuesday, May 14, 2019**

### Market Themes/Strategy/Trading Ideas

- **Risk deterioration.** As US trade tensions escalated (China announced retaliatory tariffs), the cyclicals led the way lower against the USD while the JPY and CHF also outperformed across the board. On the Fed front, note that most speakers, including Rosengren and Bostic, remained non-committal on the effect on the trade tensions, save for indicating increased uncertainty and inflation pressures might rise. The main drift of the Fed rhetoric remains one of a broadly firm US economy (in spite of some mixed signals) allowing for more patience on rate moves.
- The sell-off in global equities on Monday meanwhile also sent the **FXSI (FX Sentiment Index)** significantly higher within Risk-Neutral territory with the **US 3/10** curve inverting again.
- Fed-speak today includes Williams (0715 GMT), George (1645 GMT), and Daly (2200 GMT). In the interim, expect sustained global trade tensions to act as refrigerant on investor sentiment, keeping implicit negative pressure on the cyclicals/EM/Asia. On a relative basis, something like the **EUR-AUD** may have legs yet on the upside if tensions continue to simmer.



**Stabilizing.** Not unexpectedly, the EUR proved slightly more resilient on Monday (expectations for the Fed to soften in the face of heightened trade tensions) but this outperformance may not last if rumblings of US tariffs and counter tariffs from the EU continue to grow. Short term implied valuations for the EUR-USD remain supportive and investors may pick bottoms on dips towards 1.1200 with the 55-day MA (1.1258) capping for now.

Treasury Research &  
Strategy

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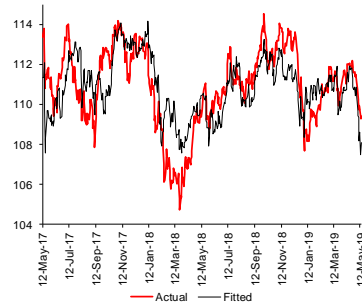
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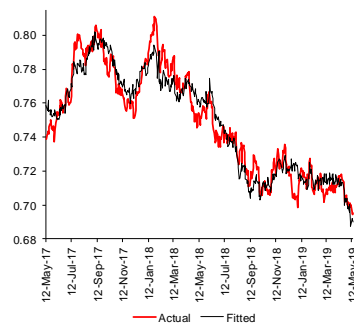
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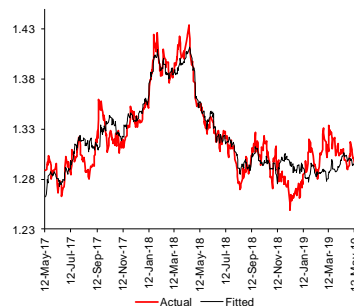
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**USD-JPY**

**Heavy.** The USD-JPY's downside in the current episode has been relatively measured despite the significantly pressured short term implied valuations of the pair. The 109.00 floor we think will continue to be contemplated pending further headline risks.

**AUD-USD**

**Down under.** The next downside frontier for AUD-USD is expected at 0.6900 for now with short term implied valuations still on a distinctly negative gradient over the past few sessions. Upside resistance may be expected on any bounce towards 0.6980.

**GBP-USD**

**Heavier.** The apparent collapse of cross-party talks also dragged the GBP-USD below 1.3000 on Monday. Sentiment towards the domestic political situation may potentially sour further and short term implied valuations are now attempting to tilt lower. Any loss of traction at the 200-day MA (1.2958) risks 1.2880.

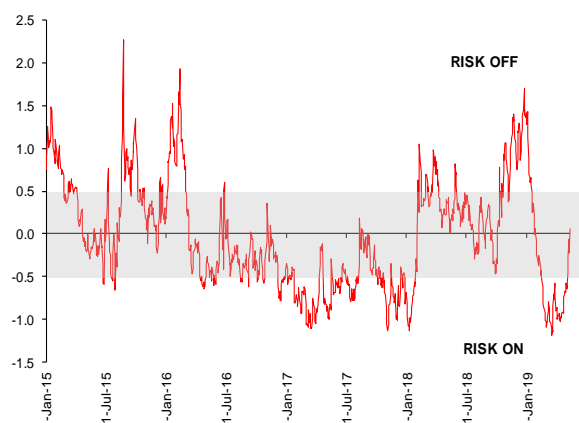
**USD-CAD**

**Conflicted.** Range bound behavior may persist with the CAD a victim of its sensitivity to global trade tensions. Expect investors to continue to bounce dips within 1.3400-1.3500.

## Asian Markets

- USD-Asia: Near-term pressures not abating yet.** USD-CNH strengthened above 6.9000 to near 6.9200 overnight while EM FX/equities also melted lower against the greenback. Apart from continued vulnerability of Asian currencies to USD resilience, Asian govie yields may also track core yields lower (with Indonesia the exception) with already chatter about another liquidity injection from the RBI. Meanwhile, expect regional central banks to remain on hand to temper excessive market volatility.
- No buffer for USD-Asia from portfolio flows.** On the net portfolio flow front, net inflows into South Korea remain underpinned (bond inflows strengthening even as net equity inflows collapse) while net equity inflows into Taiwan have moderated to an almost neutral position. India is also sitting on a near neutral balance (weakening net equity inflows balancing out net bond outflows). On other fronts, net outflows for Thailand meanwhile continue to deepen gradually as with net equity flows having flipped to a net outflow situation, joining negative bond flows.
- USD-SGD: On to a higher plane?** The SGD NEER collapsed to around +1.24% above the perceived parity (1.3879) overnight, before recovering this morning to +1.38% above parity this morning. The NEER-implied USD-SGD thresholds tracked the broad USD higher. In the coming sessions, expect the SGD to stay in lockstep with the RMB complex. With the 200-day MA (1.3652) taken out swiftly yesterday, expect the USD-SGD to flirt with the 1.3700 level going forward, with the dips perhaps supported near 1.3650.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1132	1.1200	1.1233	1.1249	1.1283
GBP-USD	1.2900	1.2958	1.2961	1.3000	1.3081
AUD-USD	0.6908	0.6940	0.6954	0.7000	0.7078
NZD-USD	0.6527	0.6548	0.6585	0.6600	0.6718
USD-CAD	1.3393	1.3400	1.3473	1.3500	1.3521
USD-JPY	109.02	109.27	109.57	110.00	111.18
USD-SGD	1.3600	1.3652	1.3692	1.3697	1.3700
EUR-SGD	1.5300	1.5361	1.5380	1.5400	1.5421
JPY-SGD	1.2250	1.2400	1.2496	1.2500	1.2519
GBP-SGD	1.7690	1.7700	1.7745	1.7750	1.7800
AUD-SGD	0.9485	0.9500	0.9521	0.9600	0.9604
Gold	1298.57	1300.00	1300.10	1307.10	1400.00
Silver	14.59	14.70	14.71	14.80	14.93
Crude	60.69	61.10	61.18	61.20	61.38

Source: OCBC Bank

### Trade Ideas

Inception		B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale		
	TACTICAL							
	-	-	-	-	-	-	-	
STRUCTURAL								
1	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	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61
2	24-Apr-19	03-May-19	S	GBP-USD	1.2933	1.3155	Sustained Brexit uncertainty and pressure to oust PM May	-1.64

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