DAILY MARKET OUTLOOK

Friday, March 15, 2019

Market Themes/Strategy/Trading Views

- The USD finally bounced against its G10 counterparts on Thursday after 4 prior days of declines, with the DXY closing higher near 96.785. Markets moved into a consolidation mode amid mixed signals as weaker Jan new home sales and higher than expected initial claims were counteracted by firmer than expected export/import price readings and supported UST yields. Elsewhere, the GBP-USD also consolidated lower even as the House voted to (among other things) endorse a potential short delay in the Brexit deadline, with the GBP also underperforming its peers.

- The **FXSI (FX Sentiment Index)** slipped lower within Risk-On territory yesterday but markets may be reduced to headline watching into the end of the week. Overall, the DXY may still run the rest of descending to the congestion zone comprised of the 100-day MA (96.565), 96.50, and the 55-day MA (96.345). Ones to watch today include the **BOJ MPC**, and this may invariably still see Kuroda on a dovish tilt. Elsewhere, investors may also be on the lookout for any headlines from **China's NPC**.

- Short term implied valuations and technical point to a buy-dips scenario for the **EUR-USD** intra-day within 1.1280-1.1320 ahead of the Feb EZ CPI at 1000 GMT. Likewise, **USD-JPY** is also expected to shadow its firmer short term implied valuations with technicals also seen constructive. If resistance at 112.00 is pierced, expect next congestion zone at 112.15-30. For the **GBP-USD**, short term overvaluation remains at a tangent to supportive near term technicals as the coming week promises more politically charged Brexit related headlines. Risks remain binary for cable and a wide 1.3065-1.3400 may continue to prevail in the interim. **AUD-USD's** short term implied valuations are not exhibiting much directional drift at this juncture and into the end of the week may remain sacrosanct. Investors may attempt to angle for 0.7100 instead. Short term valuations for the **USD-CAD** have been slightly softer in recent sessions and the pair may be still heavy within 1.3300-1.3370 near term.

- Our 07 Mar 19 idea to be tactically long **USD-CAD** (spot ref: 1.3430) in the wake of the BOC meeting got smoked and was stopped out on 13 Mar 19 at 1.3315 for an implied -0.85% loss. A confluence of factors, including outperforming Canadian Feb labor markets numbers, an improvement in global risk appetite levels, as well as higher crude, worked to push the loonie higher instead.

Treasury Research & Strategy

Emmanuel Ng
+65 6530 4037
ngcyemmanuel@ocbc.com

Terence Wu
+65 6530 4367
TerenceWu@ocbc.com

Asian Markets

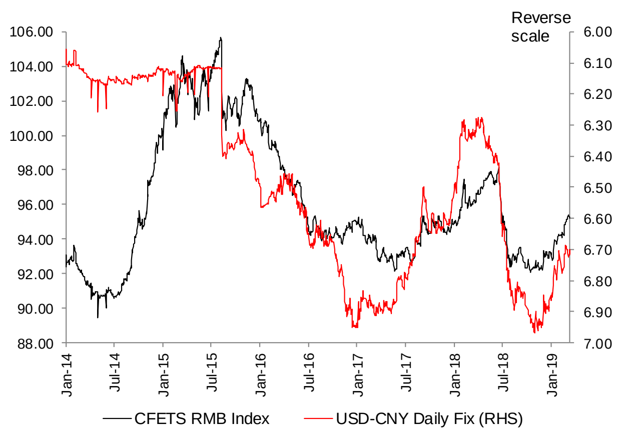
- USD-CNH blipped briefly above 6.7300 on news of the Xi-Trump delay and the pair ended higher on the day despite a subsequent retracement. This cast an overall negative tone over Asia early morning. Global EM equities also ended a touch lower on Thursday (note neutral to soft China data points released on Thursday). Overall, the setup appears to favour a firmer USD-Asia into the end of the week.

- On the **portfolio flows** front, net inflows into South Korea and India continue to pick up strongly. Apart from India, the inflow momentum into South Asia has effectively evaporated, with Thailand, Indonesia and Malaysia nursing outflows in a rolling 20D perspective. Meanwhile, in Taiwan, inflow compression continues, although the overall picture still looks healthy for now.

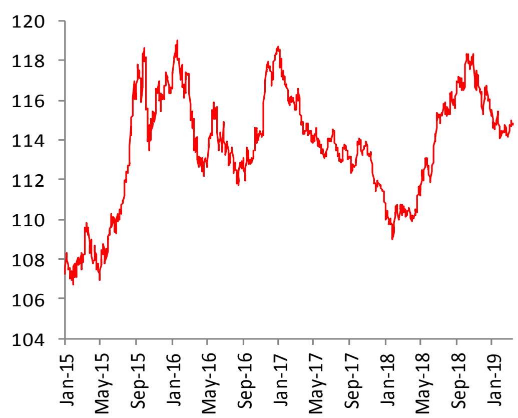
- **SGD NEER**: The SGD NEER eased slightly to around +1.73% above its perceived parity (1.3792). NEER-implied USD-SGD thresholds turned higher as the broad USD rebounded overnight. The USD-SGD remains on both sides of its 55-day MA (1.3556) and may remain trapped within 1.3520-80 into the end of the week.

- **CFETS RMB Index**: The USD-CNY midpoint came in significantly higher, but within expectations, at 6.7167, compared to 6.7009 on Thursday. The CFETS RMB Index eased slightly to 95.20. At this juncture, the USD-CNY may stay buoyant as we await new information on the potential Xi-Trump meeting. Nevertheless, we continue to see the CFETS RMB Index in consolidation mode of 95.00 for now. Meanwhile, with the National People's Congress concluding today, watch for potential headline-driven moves at Premier Li Keqiang's media event (0300 GMT).

CFETS NEER vs. USD-CNY mid-point



Asian Currency Index



Source: OCBC Bank, Bloomberg

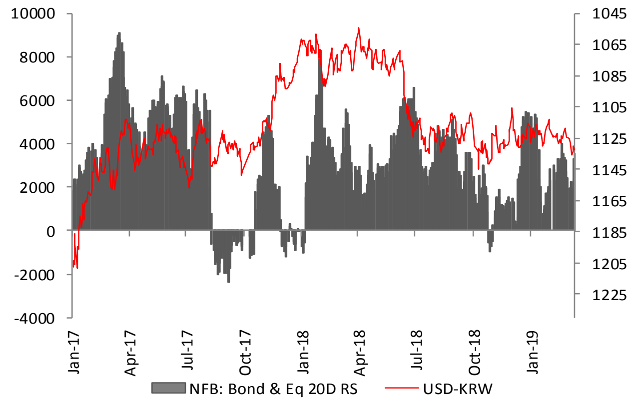
Short term Asian FX/bond market views

	USD-Asia	10y govie (%)	Rationale
China	↔	↔	NPC portends further accommodation in the pipeline. Feb CPI in-line with expectations, but PPI surprised on the downside. Jan industrial profits deteriorate further at -1.9% yoy. Feb retail sales and industrial production in-line to weaker than estimates. Feb official PMIs softer than expected. Feb Caixin manufacturing PMI better than epected (49.9) but services and composite PMIs deteriorate. Feb trade numbers, especially exports, contracted on a yoy basis, significantly underperforming consensus and Jan numbers. Feb aggregate financing, new yuan loans and M2 aggregate all lower than expected.
S. Korea	↔/↑	↔	BOK unchanged at 1.75% in Feb. Central bank retains an accommodative stance and continues to rule out a rate cut for now. Feb headline CPI softer than expected (0.5% yoy) but core ticks higher to 1.3% yoy. Feb exports at a worse than expected -11.1% yoy. Feb manufactuirng PMI deteriorates further to 47.2. 4Q GDP higher than expected at +3.1% yoy on the back of fiscal support. Jan unemployment jumps to 4.4%.
Taiwan	↔/↑	↔/↓	4Q GDP disappoints at +1.78% yoy. CBC static at 1.375% in Dec 2018. CBC governor ambivalent on the benchmark rate. Feb manufacturing PMI drops further to 46.3. Feb CPI continues to print in the soft side. Feb exports decline 8.80% yoy, worse than expected.
India	↓	↔	Feb CPI warmer than expected at +2.57% (below the RBI's 4% target) but Jan revised lower. Core CPI readings also continue to moderate. Jan industrial production disappoints at +1.7% yoy. RBI delivered a surprise 25 bps cut in Feb and shifted to neutral. Feb manufacturing/services/composite PMIs improve from previous month. Dec mechandise trade deficit wider than expected on firmer crude. Elections due Apr/May 2019 (results due 23 May).
Singapore	↔/↑	↔/↑	Feb PMI weakens further to 50.4. 4Q GDP surprises on the downside at 1.6% saar. Jan NODX disappoints at -10.1% yoy. Jan CPI readings cooler than expected. Jan IPI flat to weaker than expected. Monetary policy thought to be "appropriate", and "no need for stimulus" for now.
Malaysia	↔/↑	↔/↓	BNM static at 3.25%, although rumblings for a rate cut this year is building. Jan CPI pinted a deeper than expected -0.7% yoy. Feb manufacturing PMI falls to 47.6. Jan exports better than expected at 3.1% yoy, Jan industrial production numbers outperform expectations. Jan CPI shows stronger than expected negative price pressures. 4Q GDP surprises on the upside at +4.7% yoy.
Indonesia	↔/↑	↔	BI static at Feb meeting, absent previous "hawkish" intent, replaced with an emphasis on external stability while exploring further macroprudential measures. Policy rate seen near its peak by BI, IDR still seen as undervalued. Curve has been attempting to price in a rate cut. Feb headline CPI cooler than expected (2.57%), core steady at 3.06%. Export/import performance mixed and trade deficit slightly wider than expected. 4Q18 CA deficit widened more than expected. 4Q GDP better than expected. Elections slated for 17 April 2019.
Thailand	↔/↑	↔/↑	Accomodative policy "still appropriate" in Feb BOT meeting, 2 of 7 members voted to hike. Minutes reveal that policy is still tilted towards hikes. Jan customs exports underperformed. Jan current account surplus contracts by more than expected. 4Q GDP at a better than expected +3.7% yoy. Feb headline inflation warmer than expected at 0.73% (target range:1-4%), core cooler than expected at 0.60%. Elections scheduled on 24 March, with uncertainties heightening.
Philippines	↑	---	BSP governor continues to herald a rate cut – markets are now gunning for rate and RRR cuts, potentially in May. 4Q GDP below expectations at 6.1% yoy. Dec exports underperformed expectations at -12.3% yoy. Feb CPI softer than expected at +3.8% yoy (back within the 2-4% range). 2018 fiscal deficit likely widened to 3.1%.

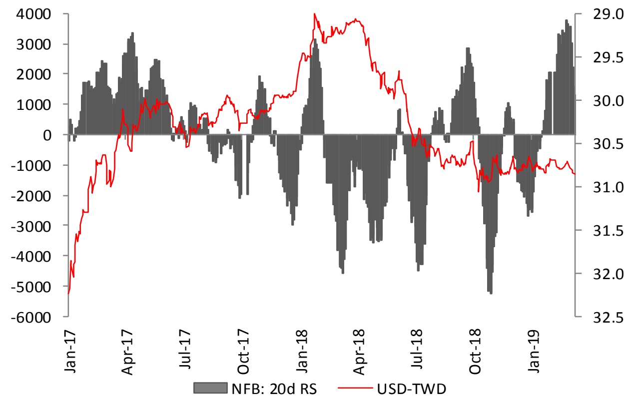
Source: OCBC Bank

USD-Asia VS. Net Capital Flows

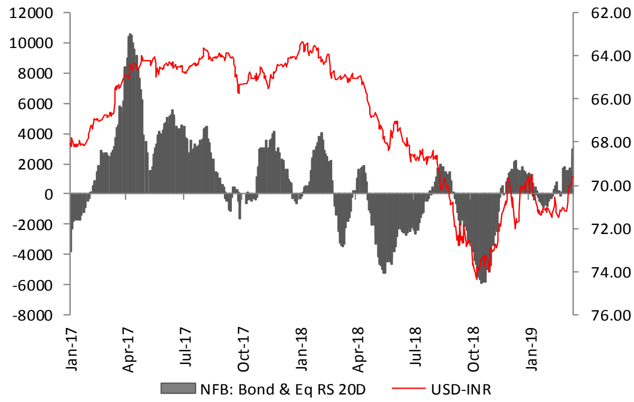
South Korea



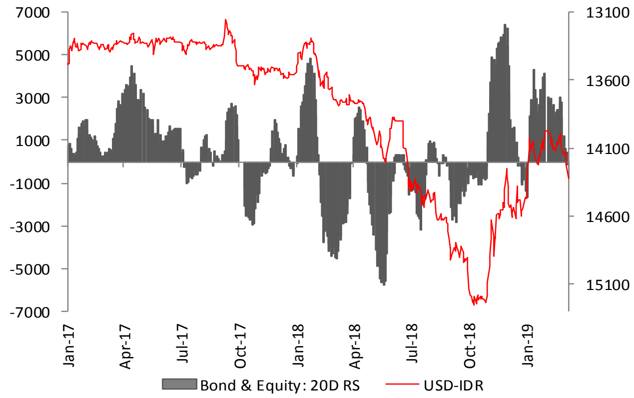
Taiwan



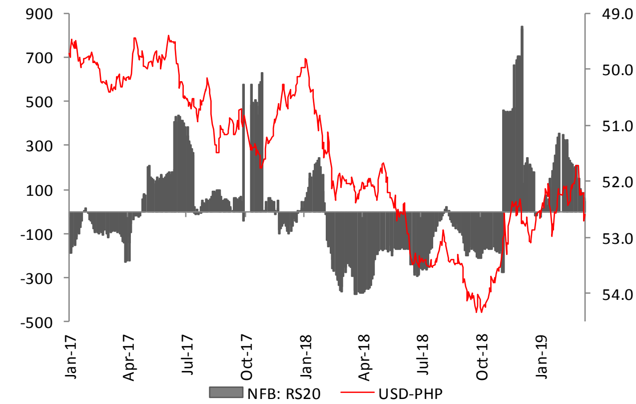
India



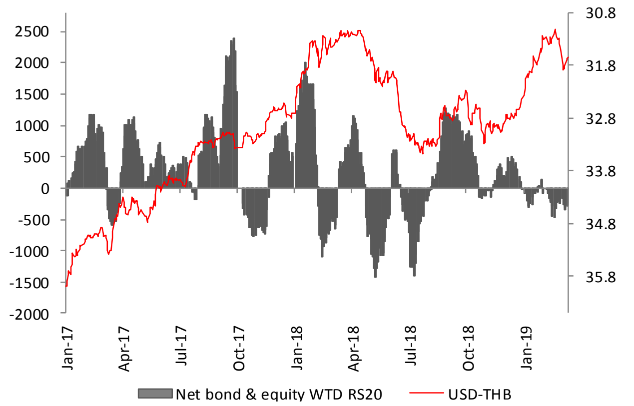
Indonesia



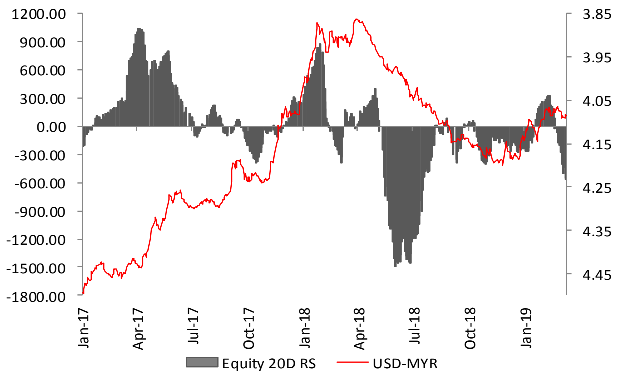
Philippines



Thailand

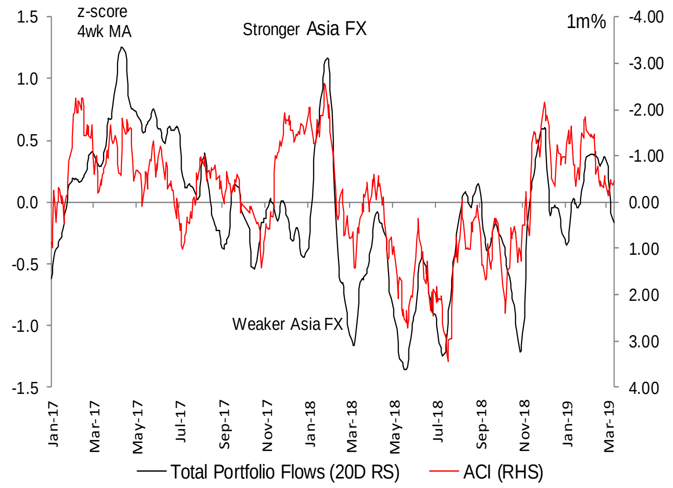


Malaysia



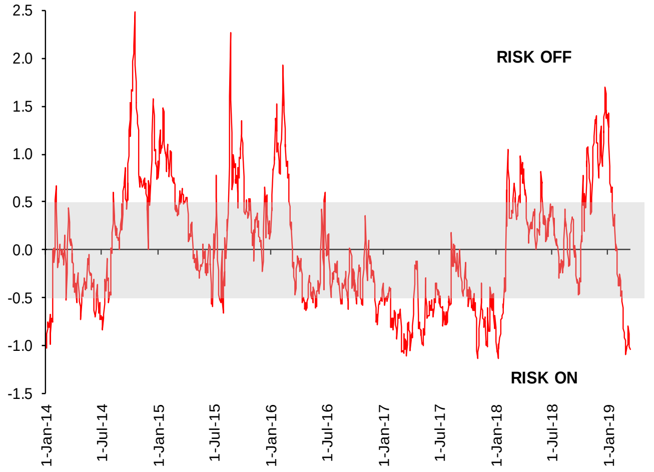
Source: CEIC, Bloomberg, OCBC Bank

ACI VS. Net Capital Flows



Source: OCBC Bank

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCAPF	CRY	JPY	CL1	VIX	ITRXEX	CNH	EUR
DXY	1	-0.2	0.432	-0.644	-0.312	-0.57	0.193	-0.168	0.466	0.33	0.583	-0.971
SGD	0.935	0.001	0.518	-0.639	-0.372	-0.644	0.284	-0.212	0.452	0.35	0.691	-0.871
IDR	0.889	-0.395	0.361	-0.56	-0.305	-0.555	0.071	-0.157	0.421	0.258	0.49	-0.934
MYR	0.794	-0.13	0.045	-0.355	0.085	-0.439	0.592	0.091	0.339	-0.183	0.184	-0.752
JPY	0.616	-0.502	0.141	-0.056	-0.199	-0.089	0.439	0.468	-0.178	-0.168	0.212	-0.641
CAD	0.603	-0.449	0.075	0.005	-0.15	-0.086	0.441	0.5	-0.198	-0.246	0.114	-0.644
CHF	0.593	-0.469	0.27	-0.119	-0.205	-0.059	0.254	0.422	0.023	-0.088	0.27	-0.577
CNH	0.583	-0.055	0.956	-0.679	-0.834	-0.617	-0.362	-0.466	0.429	0.822	1	-0.525
PHP	0.554	-0.502	0.183	-0.085	-0.254	-0.006	0.374	0.493	-0.125	-0.134	0.213	-0.577
CNY	0.432	-0.159	1	-0.537	-0.885	-0.491	-0.507	-0.429	0.311	0.825	0.956	-0.374
THB	0.41	0.06	-0.299	0.028	0.405	-0.191	0.854	0.33	0.08	-0.571	-0.185	-0.372
KRW	0.363	-0.726	0.363	-0.025	-0.324	-0.05	-0.051	0.315	-0.096	0.111	0.287	-0.396
USGG10	0.193	0.333	-0.507	0.248	0.619	0	1	0.398	-0.12	-0.689	-0.362	-0.139
TWD	-0.2	1	-0.159	0.066	0.257	-0.085	0.333	-0.297	0.028	-0.071	-0.055	0.332
INR	-0.423	0.454	0.235	-0.155	-0.233	0	-0.62	-0.523	0.168	0.535	0.167	0.485
GBP	-0.491	0.056	-0.796	0.72	0.696	0.587	0.556	0.694	-0.458	-0.947	-0.817	0.429
NZD	-0.541	-0.477	0.104	0.425	-0.224	0.234	-0.586	0.016	-0.376	0.118	-0.135	0.493
AUD	-0.695	-0.102	0.091	0.34	-0.182	0.263	-0.669	-0.211	-0.244	0.234	-0.125	0.669
EUR	-0.971	0.332	-0.374	0.656	0.32	0.511	-0.139	0.104	-0.47	-0.299	-0.525	1

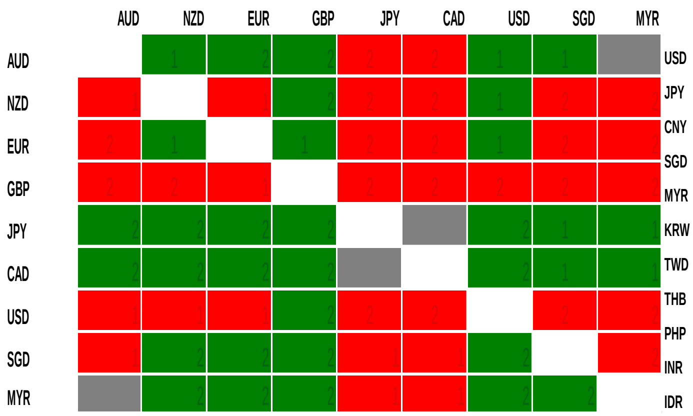
Source: Bloomberg

Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1223	1.1300	1.1319	1.1364	1.1400
GBP-USD	1.3022	1.3200	1.3248	1.3300	1.3360
AUD-USD	0.7003	0.7009	0.7089	0.7100	0.7137
NZD-USD	0.6800	0.6814	0.6846	0.6900	0.6904
USD-CAD	1.3262	1.3300	1.3318	1.3400	1.3468
USD-JPY	111.00	111.44	111.76	112.00	112.24
USD-SGD	1.3500	1.3548	1.3550	1.3600	1.3610
EUR-SGD	1.5254	1.5300	1.5337	1.5397	1.5400
JPY-SGD	1.2087	1.2100	1.2124	1.2200	1.2258
GBP-SGD	1.7730	1.7900	1.7951	1.8000	1.8074
AUD-SGD	0.9528	0.9600	0.9605	0.9669	0.9700
Gold	1272.33	1280.80	1295.00	1300.00	1303.02
Silver	14.92	15.10	15.10	15.17	15.20
Crude	58.50	58.56	58.57	58.60	58.74

Source: OCBC Bank

G10 FX Heat Map

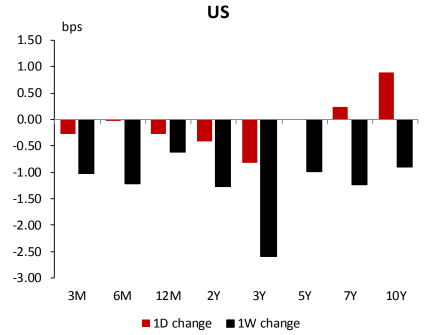


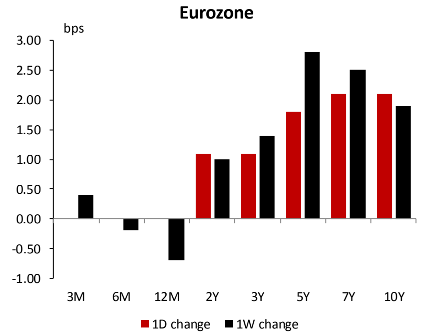
Source: OCBC Bank

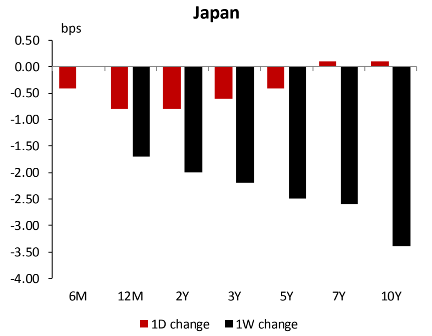
Asia FX Heat Map

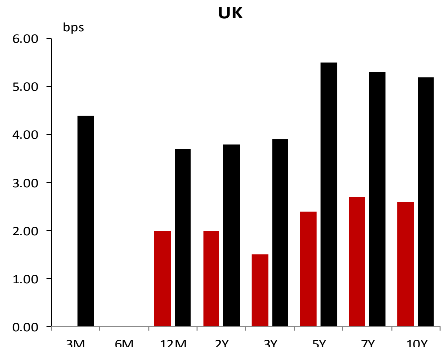
Source: OCBC Bank

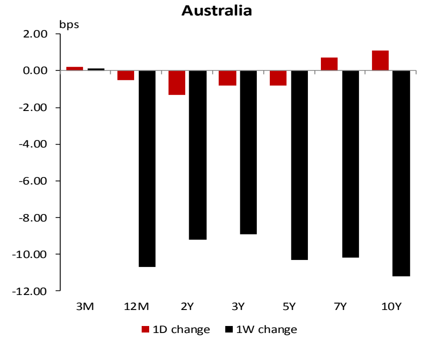
Government bond yield changes

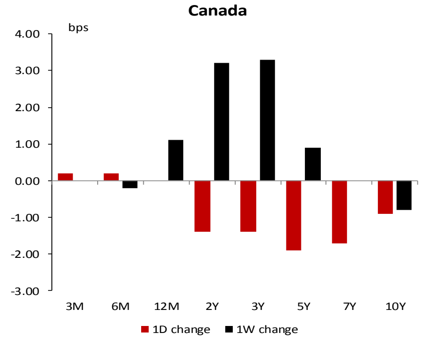


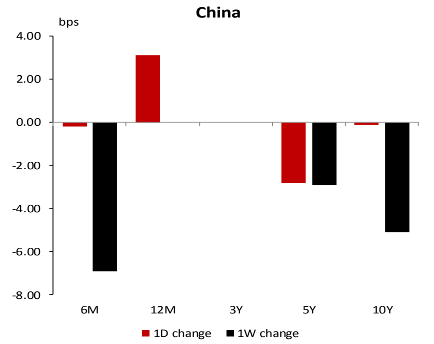


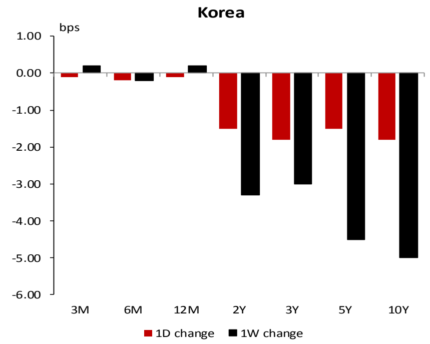


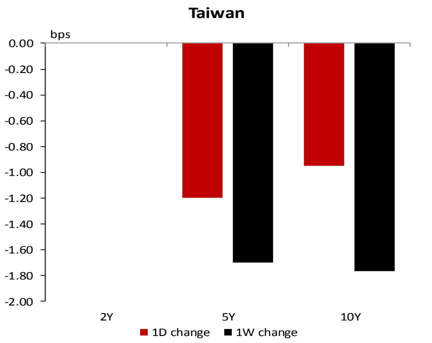


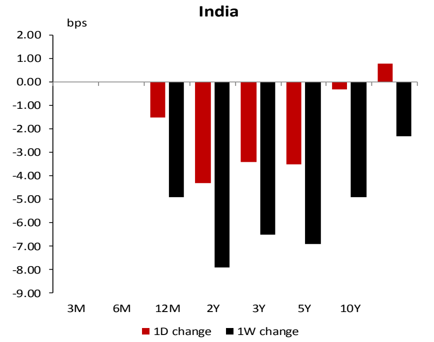


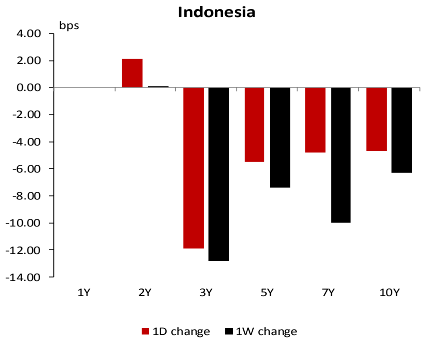


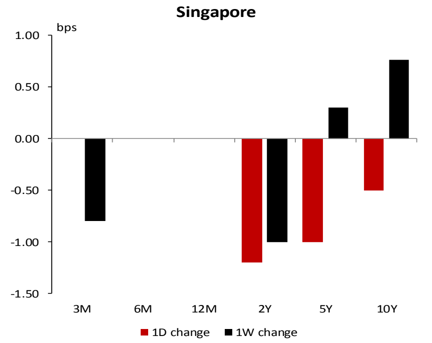


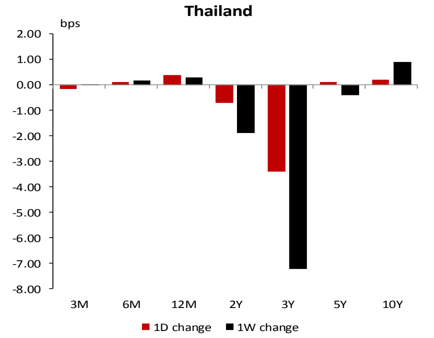


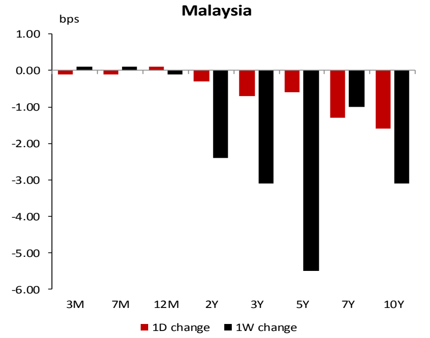


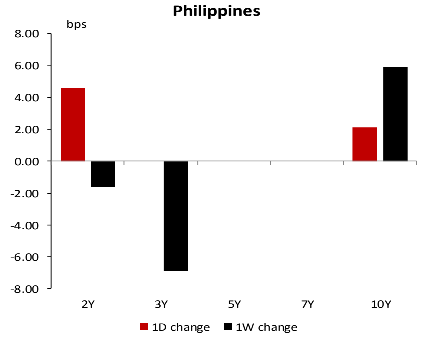












Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale	
	TACTICAL								
1	23-Jan-19		B	GBP-AUD	1.8159	1.9350	1.8440	Contrasting risk profiles in the near term	
2	14-Feb-19		B	USD-JPY	111.00	113.50	109.70	Dollar resilience, revival in risk appetite levels	
3	05-Mar-19		S	AUD-USD	0.7074	0.6870	0.7175	Potentially dovish RBA, macro conditions soggy	
	STRUCTURAL								
	RECENTLY CLOSED TRADE IDEAS								
	Inception	Close	B/S	Currency	Spot		Close	Rationale	P/L (%)*
1	11-Feb-19	27-Feb-19	S	EUR-USD	1.1325		1.1393	Darkening EZ macro outlook	-0.46
2	28-Feb-19	08-Mar-19	S	3M USD-CNH	6.6861		6.7350	Renminbi stability, PBOC policy backstop, conducive inflow environment	-0.73
3	27-Feb-19	13-Mar-19	S	1M THB-PHP	1.6536		1.6750	Contrasting flow dynamics	-1.29
4	07-Mar-19	13-Mar-19	B	USD-CAD	1.3430		1.3315	BOC stalls in its tightening bias	-0.85

Co.Reg.no.:193200032W