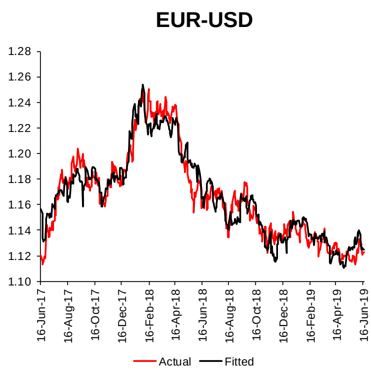
Daily Market Outlook

Tuesday, June 18, 2019

Market Themes/Strategy/Trading Ideas

- Despite the UST curve bear flattening, the USD flat lined against most of the majors except for the AUD and GBP, both of which also underperformed across the board. On the data front, the US June Empire manufacturing disappointed with a surprise negative reading, at -8.6. Elsewhere, note that EM equities and crude continued to shed lower, with the US Commerce Secretary warning of further US duties on China in the absence of a trade deal. On the risk appetite front, the **FXSI (FX Sentiment Index)** ticked higher for the 4th consecutive session within Risk-Neutral territory.

- For today, look to **RBA** meeting minutes (0130 GMT), EZ May CPI numbers and German June ZEW at 0900 GMT, with US May housing starts at 1230 GMT. On the central bank front, the **ECB forum** in Sintra, Portugal, sees Draghi (0800 GMT, and 1400 GMT), the BOE's Carney (1400 GMT) on the wires. **Investors may remain in a stasis ahead of the heavy headline schedule today and we favor a heavy AUD-USD and GBP-USD in the interim.**



Stalling. Background Italian fiscal concerns and neutral/dovish comments from the ECB's Coeure failed to undermine the EUR-USD on Monday. Note however that short term implied valuations are softening and expect near term risk to detach from the 55-day MA (1.1220) towards 1.1165.

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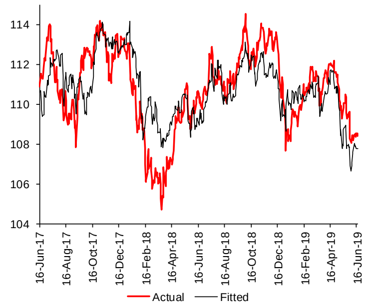
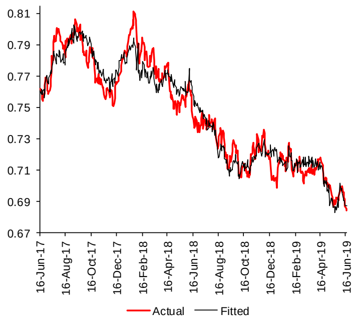
USD-JPY



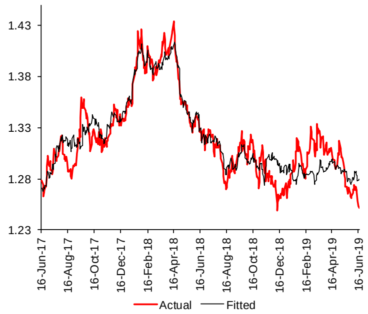
Range bound. The USD-JPY may remain anchored to the 108.50 neighborhood with short term implied valuations showing little impetus to go higher at this juncture. Intuitively, odds may favor a softer profile towards 108.15, either on the back of narrowing US rate support and/or global risk aversion.

AUD-USD



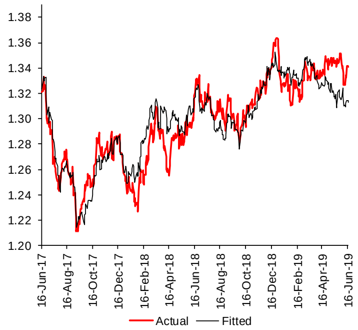
Southbound. RBA meeting minutes this morning proved sufficiently dovish and the AUD-USD may continue to shadow its short term implied valuations south. However, overbought conditions are beginning to manifest and expect some consolidation at 0.6820/30 in the interim.

GBP-USD



Heavy. A second round of Conservative Party leadership polls gets underway today results around 1700 GMT) and with short term implied valuations still looking suppressed, expect investors to attempt to drill lower for GBP-USD. At this juncture, the next key support is expected at 1.2450.

USD-CAD



Supported range. USD-CAD may remain neutral but supported into the FOMC later this week although we'd continue to keep an eye out on crude price developments. Overnight comments with respect to flexible exchange rates by the Bank of Canada also imply that the CAD will continue to retain its cyclical characteristics.

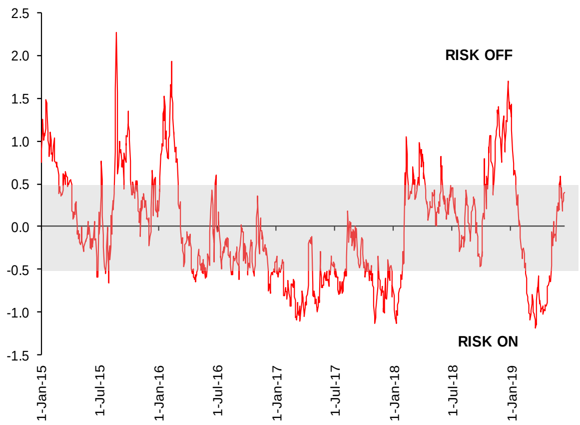
Asian Markets

- **USD-Asia: Tailwinds again.** With the USD-CNH remained supported above the 6.9300 handle and a lack of new trade war headlines, we think the RMB complex may provide limited directionality for USD-Asia in the interim. For now, dollar prospects may be the key driver, although the directionality depends on the FOMC later this week.

- **Asian flow environment: Improvements in the equity front.** While bonds are still the main driver for portfolio inflows, we note a recovery of equity flows from deeper outflow territory. On aggregate terms, equity flow momentum has recovered to near neutral levels. From a country perspective, this benefited primarily the Indian and Thai equities, which is now in net inflow territory. Outflow momentum from the likes of Taiwan, Philippines and Malaysia has also moderated.

- **USD-SGD: Range ahead of FOMC.** The USD-SGD was kept within a narrow range just north of the 1.3700 handle on Monday. We think this cautious tone will persist at least until we get clarity on the Fed front. Expect the 1.3700 level and the 200-week MA (1.3727) to book-end the pair for now. The SGD NEER turned firmer this morning at +1.44% above its perceived parity (1.3900), with NEER-implied USD-SGD thresholds also firmer on the day.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1218	1.1233	1.1300	1.1347
GBP-USD	1.2500	1.2512	1.2528	1.2546	1.2600
AUD-USD	0.6840	0.6842	0.6845	0.6900	0.6993
NZD-USD	0.6457	0.6482	0.6497	0.6500	0.6605
USD-CAD	1.3281	1.3400	1.3403	1.3416	1.3500
USD-JPY	107.82	108.00	108.35	109.00	110.09
USD-SGD	1.3650	1.3670	1.3700	1.3835	1.3837
EUR-SGD	1.5321	1.5326	1.5389	1.5400	1.5460
JPY-SGD	1.2527	1.2600	1.2644	1.2679	1.2700
GBP-SGD	1.7100	1.7141	1.7163	1.7183	1.7200
AUD-SGD	0.9300	0.9373	0.9378	0.9400	0.9400
Gold	1294.93	1300.00	1338.70	1355.40	1361.77
Silver	14.77	14.80	14.84	14.88	14.90
Crude	50.60	51.80	51.82	51.90	59.30

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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	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*
	RECENTLY CLOSED TRADE IDEAS							
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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