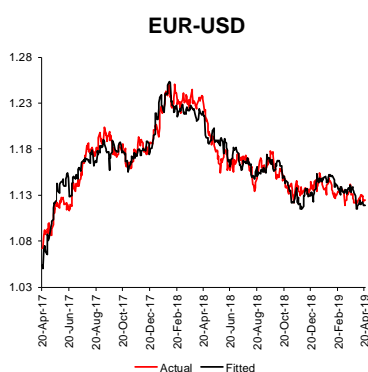


Monday, April 22, 2019

### Market Themes/Strategy/Trading Ideas – The week ahead

- The USD mostly flat lined on Good Friday after firming broadly on Thursday (driven stronger than expected March retail sales while the Fed's Kaplan continued to sound neutral). Elsewhere, the **FXSI (FX Sentiment Index)** ticked higher on Thursday but remained in Risk-On territory.
- This week, apart from US tech earnings reports and potential news flow pertaining to further face-to-face Sino-US trade talks for early May, look to the **Bank of Canada** rate decision on Wednesday and the **BOJ MPC** on Friday, both of which are expected to remain static. In Asia, **Bank Indonesia** is also expected to keep its benchmark parameters unchanged on Thursday.
- **Backing the USD early week.** Pending data/news flow, the dollar may retain an upper hand at the onset of the week, especially against the European complex (EUR and GBP), while the cyclicals may be slightly more resistant to strong dollar overtures. Rate differential dynamics meanwhile may continue to keep USD-JPY relatively buoyant.



**Likely heavy.** EUR-USD was hobbled by a weaker than expected April flash German/EZ manufacturing PMI on Thursday and the pair may have to contend with the German April Ifo on Wednesday. Short term implied valuations for the pair are slightly soft and 1.1255/60 should cap, with risks tilted towards 1.1220 instead.

Treasury Research &  
Strategy

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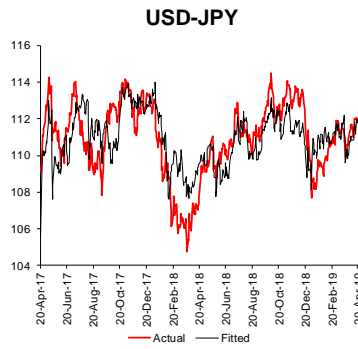
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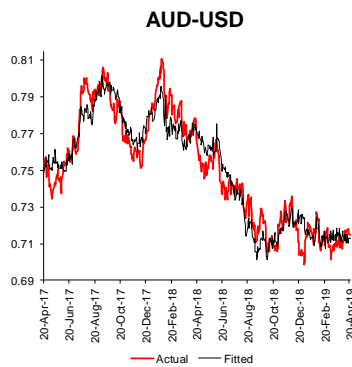
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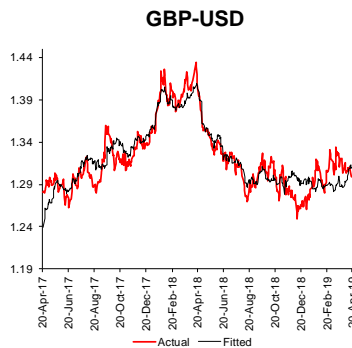
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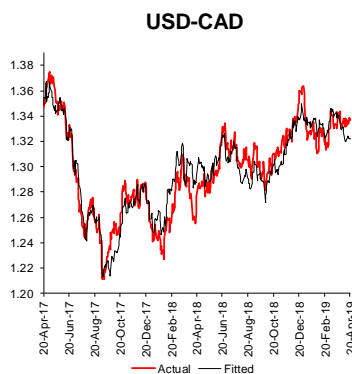
**Search higher.** US March durable goods orders due Thursday and 1Q GDP readings on Friday may have further bearing on the USD-JPY, with expectations surrounding the BOJ also increasingly bearish (BOJ's reduction of bond purchases last week notwithstanding). Short term implied valuations for the pair remain supported and 111.70 may provide a good floor for a bounce back towards 112.20.



**Supported on dips.** 1Q CPI readings are due on Wednesday but in the interim, investors may continue searching for green shoots in the global macro environment, potentially keeping a floor for the AUD-USD at around the 55-day MA (0.7114). Balance of risks may favor the 200-day MA (0.7187) instead pending further headline risks. Elsewhere, short term implied valuations for the pair remain fairly static.



**Still likely southbound.** Soft March CPI readings from last week and domestic political static are aligned with heavy technicals and may continue to override supported short term implied valuations in the near term. An imminent break of the 200-day MA (1.2965) cannot be ruled out at this juncture.



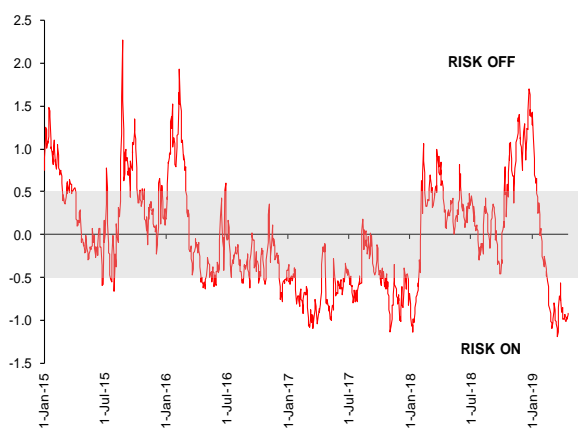
**Fade rallies.** Yet firmer crude and supportive Canadian retail sales numbers may cap the near term upside for USD-CAD. The pair is trading slightly rich of its short term implied valuations and look to fade any rallies towards 1.3424 for its 100-day MA (1.3338) instead.

Source: OCBC Bank

## Asian Markets

- USD-Asia – IDR and PHP expected to be more resilient to USD strength.** The latest swath of supportive Chinese data releases and a shift in market reckoning to an increasingly measured PBOC (note a smaller than expected liquidity injection via MLF last week) may have to contend with a pliant renminbi complex. The USD may then be expected to hold sway in the region except for the likes of the IDR and the PHP.
- Asia flow environment – Rebound in Chinese implied equity flows.** Based on the latest EFPR release, we note that the implied equity inflows returned to China in a big way, after suffering mostly outflows over the past 8 weeks. On the other hand, implied equity outflows continued to persist for Asia (ex. CN, ex. JP), although the scale moderated somewhat. On the bond front, implied flows ticked higher for Asia (ex. CN, ex. JP).
- USD-SGD – May edge higher early week.** The SGD NEER eased to around +1.77% above its perceived parity (1.3797) this morning. NEER-implied USD-SGD thresholds also firmed over the long weekend. Overall, the SGD may find it difficult to argue against a supported USD in the near term and the pair may bounce on any approach towards its 55-day MA (1.3542) with 1.3575 attracting instead.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1190	1.1200	1.1241	1.1293	1.1300
GBP-USD	1.2965	1.2978	1.2994	1.3000	1.3103
AUD-USD	0.7100	0.7113	0.7142	0.7187	0.7197
NZD-USD	0.6658	0.6668	0.6680	0.6700	0.6732
USD-CAD	1.3300	1.3320	1.3365	1.3400	1.3424
USD-JPY	111.21	111.52	111.95	112.00	112.17
USD-SGD	1.3518	1.3540	1.3557	1.3571	1.3580
EUR-SGD	1.5172	1.5200	1.5241	1.5291	1.5300
JPY-SGD	1.2067	1.2100	1.2110	1.2175	1.2200
GBP-SGD	1.7572	1.7600	1.7616	1.7650	1.7700
AUD-SGD	0.9600	0.9631	0.9683	0.9700	0.9738
Gold	1266.50	1270.10	1271.90	1300.00	1302.87
Silver	15.00	15.00	15.02	15.10	15.32
Crude	64.00	64.50	65.10	65.12	66.36

Source: OCBC Bank

## Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>							
1	15-Apr-19	B	AUD-USD	0.7167 0.7380 0.7055	Near term recovery in global macro sentiment		
<b>STRUCTURAL</b>							
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		
<b>RECENTLY CLOSED TRADE IDEAS</b>							
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*
1	23-Jan-19 21-Mar-19	B	GBP-AUD	1.8159	1.8440	Contrasting risk profiles in the near term	+1.35
2	14-Feb-19 25-Mar-19	B	USD-JPY	111.00	109.98	Dollar resilience, revival in risk appetite levels	-0.61
3	01-Apr-19 02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
4	02-Apr-19 05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
5	05-Mar-19 11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13

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