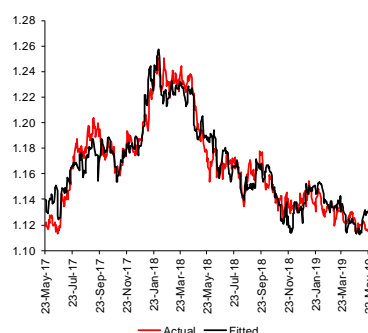


Thursday, May 23, 2019

Market Themes/Strategy/Trading Ideas

- The dollar ended flat to firmer on Wednesday, with the JPY and CHF also outperforming across the board following fairly neutral FOMC minutes and the weakness in US equities. The **FXSI (FX Sentiment Index)** inched higher within Risk-Neutral territory on the back of slight investor uncertainty. Global core 10y govie yields also softened.
- **FOMC minutes reiterate the on-hold posture.** The FOMC minutes did not turn out more dovish than some had expected but the relative vulnerability in the other majors (especially with the escalation of trade tensions occurring after the FOMC meeting) may be sufficient to keep the USD afloat. Crucially, investors we think may be increasingly concerned that the arena of conflict with respect to Sino-US trade tensions may continue to enlarged, especially with China's response also increasingly pointed.
- For today, ECB meeting minutes (1130 GMT) and the EU Parliamentary Elections (watch for hints of a populist backlash or heightened Euroskepticism) from 23-26 May may impart a further spin for the EUR while Fed-speak (1700 GMT) comes from Kaplan, Daly, Bostic and Barkin. On the data front, watch for German 1Q GDP prints (0600 MGT) and IFO survey results (0800 GMT). **In the interim, we continue to stay with the broad USD, especially against the likes of the AUD and GBP.**

EUR-USD

Fade upticks. Look to stay top heavy on the EUR-USD given the potential risk from headline-induced volatility today. Risks may remain skewed towards 1.1125 before 1.1100.

Treasury Research &
Strategy

Emmanuel Ng

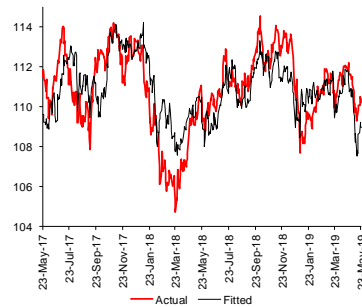
+65 6530 4037

ngcyemmanuel@ocbc.com

Terence Wu

+65 6530 4367

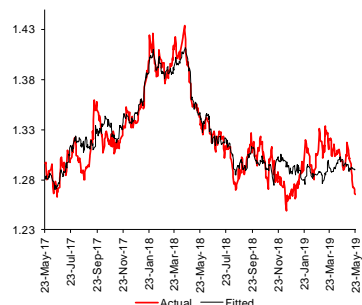
TerenceWu@ocbc.com

USD-JPY

Range. USD-JPY remains trapped within USD resilience and potential risk aversion in the near term. Expect the 110.00 region to act as a nexus for now with top side governed by the 100-day MA (110.55) and support expected towards 109.85.

AUD-USD

Stay negative. Given that negativity surrounding US trade tensions continue to accumulate, expect the AUD-USD to continue to decay. At this juncture, 0.6840 is expected to offer initial support while short term implied valuations remain southbound.

GBP-USD

Slippery. The GBP remained mired in political uncertainty (note resignation of Leadsom) with PM May resisting calls for her resignation. Amid whittling support for the PM, 1.2600 is expected to continue to beckon despite still static short term implied valuations.

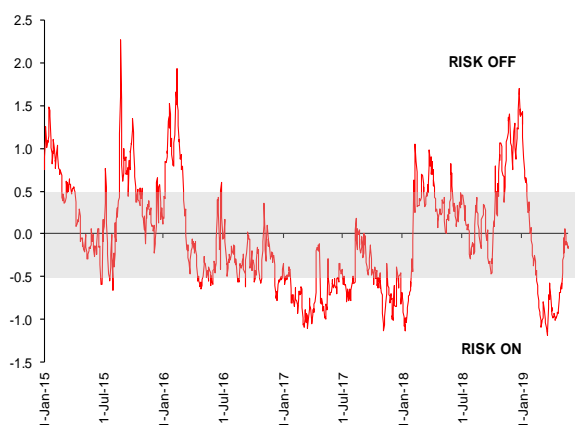
USD-CAD

Slightly heavy. Falling crude pulled USD-CAD higher on Wednesday but with macro readings not disappointing drastically, gravity may continue to attempt to weigh on the USD-CAD. Barring acute global risk aversion, 1.3470 should cap and 1.3420 may attract instead.

Asian Markets

- USD-Asia: Trying to hold back the tide.** The USD-CNH remained restrained at sub-6.9500, coupled with some jawboning by the Bank of Korea, may have signaled the Asian central banks' stance on the recent FX moves. Nevertheless, this may have limited effect beyond a short-lived pull-back. With global EM equities ending flat to lower and the risk-off tones back in play, we think the USD-Asia may continue to creep higher intraday. Meanwhile, the **INR** may remain sheltered and the sole exception with official elections results due today.
- Asia flow environment: Net outflows undermining Asian FX.** On the flow front, net portfolio inflows for South Korea are yielding little support for the KRW (but the significant net bond inflows would square with softening govt yields) while the TWD is creaking under the weight of deep net equity outflows. Elsewhere, India is sitting largely neutral with hitherto net equity inflows deteriorating to an almost zero balance on a rolling sum basis. Meanwhile, Indonesia is printing deepening net bond outflows, shaving lower the net positive inflow balance progressively. In Thailand, net bond flows have flipped to a small positive balance with equity flows still in a small deficit. On other fronts, both the Philippines and Malaysia are also witnessing deepening net equity outflows.
- USD-SGD: Upward momentum still in place.** The SGD NEER resumed its easing posture, coming in at +1.13% above its perceived parity (1.3955) this morning. NEER-implied USD-SGD thresholds have also pushed higher once again and dips towards 1.3780 may incite a good bounce. With no end in sight on the trade war front, and softer domestic prints, we should not rule out further easing of the SGD NEER to the sub +1.00% mark. On this front, watch the April CPI prints due later today (0500 GMT).

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1112	1.1137	1.1149	1.1200	1.1233
GBP-USD	1.2610	1.2624	1.2649	1.2700	1.2957
AUD-USD	0.6841	0.6865	0.6870	0.6900	0.7054
NZD-USD	0.6471	0.6484	0.6487	0.6500	0.6695
USD-CAD	1.3380	1.3400	1.3448	1.3497	1.3500
USD-JPY	109.02	110.00	110.26	110.50	111.00
USD-SGD	1.3653	1.3800	1.3803	1.3813	1.3814
EUR-SGD	1.5272	1.5300	1.5390	1.5400	1.5421
JPY-SGD	1.2254	1.2500	1.2519	1.2563	1.2600
GBP-SGD	1.7400	1.7408	1.7460	1.7500	1.7689
AUD-SGD	0.9442	0.9443	0.9483	0.9500	0.9590
Gold	1266.00	1267.46	1273.50	1289.23	1299.44
Silver	14.33	14.40	14.41	14.50	14.90
Crude	60.59	61.00	61.01	61.10	62.17

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	
STRUCTURAL								
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	
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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