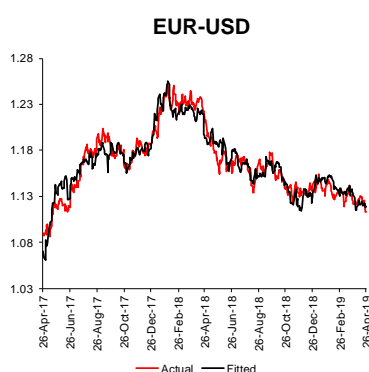


Friday, April 26, 2019

Market Themes/Strategy/Trading Ideas

- The dollar ended mixed against the majors on Thursday with the cyclicals round tripping and recouping intra-day losses by late trade. The SEK however dropped after the Riksbank delayed plans for a rate hike amid softer than expected forward guidance. The greenback meanwhile was supported by the upside surprise in the US March durable goods orders and firmer US yields. JPY outperformed again on slightly shaky risk appetite levels (negative China/EZ/US equities) with the **FXSI (FX Sentiment Index)** gaining for the 3rd consecutive session.
- **Mixed signals.** The DXY is now above the 98.00 handle (largely on the back of the EUR) but signals across G10 space may remain fairly diverse. The US 1Q GDP print (1230 GMT) may be the main risk event on the data front, ahead of the PCE inflation next Monday.
- **Central bank rhetoric meanwhile remains mixed**, with the RBNZ's Orr and the Bank of Canada's Poloz attempting to dial down dovishness and with the BOJ's latest guidance open to interpretation. Meanwhile, dovish cues from the Riksbank and the Turkish central bank may continue to keep investors on edge. **Into next week however, the US trade delegation is due in Beijing** on Tuesday and may provide some room for optimism while the **FOMC** on Wednesday may also keep short term players sidelined.



Heavy. S&P's rating decision on Italy today may keep markets somewhat wary with short term implied valuations still soft. Expect a top heavy stance with 1.1100 likely to elicit some consolidative behavior.

Treasury Research &
Strategy

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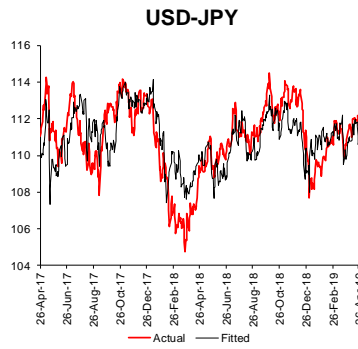
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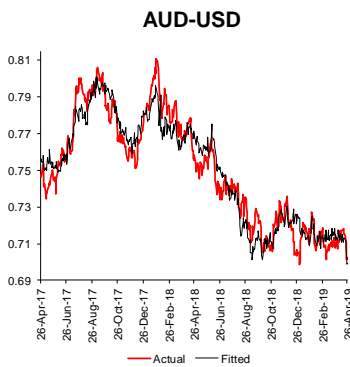
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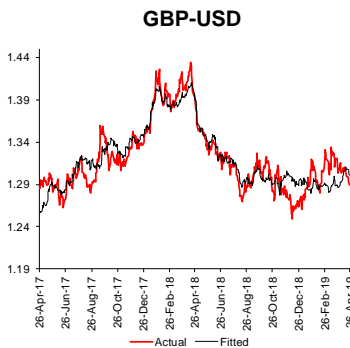
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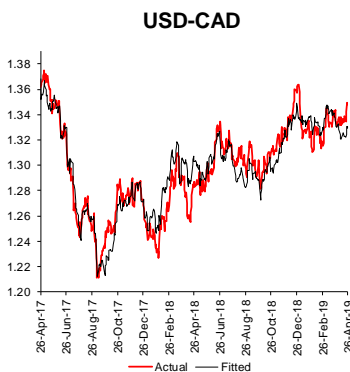
Top heavy range. The BOJ’s Kuroda noted that currently low rates would be maintained until at least through around spring 2020. Meanwhile, short term implied valuations and technicals for the pair are top heavy with the 200-day MA (111.51) likely to provide interim support pending further headline risks.



Undermined. Markets may pause to contemplate the key 0.7000 floor (which has largely held since October 2018) despite technicals and short term implied valuations unambiguously bearish for the pair in the near term.



Still southbound. A gradual grind towards the 1.2800 support cannot be ruled out at this juncture. However, despite little in the way of positive news flow from domestic Brexit talks, the lower bound of the pair’s confidence interval circa 1.2850 may see some near term consolidation.



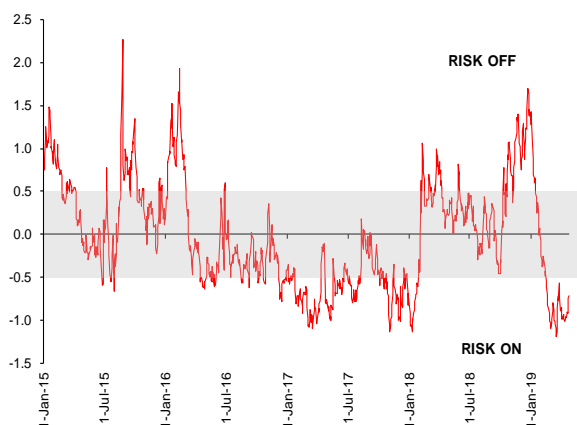
Lofty but hesitating at 1.3500. USD-CAD may remain supported on dips but the pair may be checked in the near term by the psychological 1.3500 ceiling. Meanwhile, short term implied valuations for the pair have also lifted post-BOC this week.

Source: OCBC Bank

Asian Markets

- USD-Asia – Supported on dips.** EM FX remained slightly shaky overnight with the **Turkish central bank** also removing its previous reference to further monetary policy tightening. A faint stabilization in risk appetite levels early in Asia on Friday may temper excessive upside for USD-Asia in the interim. Nevertheless, expect heavier pressure for the KRW and INR as inflow momentum continues to crimp rapidly in South Korea and India.
- Bank Indonesia** kept its benchmark parameters unchanged as widely expected and noted that its policy stance remains unchanged – demonstrating little urgency to tilt towards a dovish posture with respect to its benchmark rate. However, the central bank noted that it would expand its policies to be more accommodative. **On our end, BI is expected to continue to walk the tightrope between ensuring external stability (current account deficit seen improving) and remaining supportive of growth.**
- USD-SGD – 200-day MA continues to be in play.** The SGD NEER is eased to around +1.67% above its perceived parity (1.3851), from a high of +1.75% early morning. The NEER-implied USD-SGD thresholds continued to march higher. Although the USD-SGD rejected the 200-day MA (1.3652) yesterday, we think this level will continue to be in play today, especially if the broad USD remains supported. Downside support at the 1.3580/00 levels. March industrial production numbers are due today (0500 GMT).

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1118	1.1130	1.1136	1.1200
GBP-USD	1.2866	1.2881	1.2890	1.2900	1.2961
AUD-USD	0.7000	0.7015	0.7019	0.7100	0.7107
NZD-USD	0.6600	0.6607	0.6636	0.6700	0.6728
USD-CAD	1.3337	1.3400	1.3477	1.3483	1.3500
USD-JPY	111.31	111.51	111.68	112.00	112.35
USD-SGD	1.3543	1.3600	1.3616	1.3617	1.3652
EUR-SGD	1.5150	1.5153	1.5154	1.5200	1.5280
JPY-SGD	1.2100	1.2167	1.2191	1.2200	1.2212
GBP-SGD	1.7521	1.7547	1.7551	1.7600	1.7694
AUD-SGD	0.9542	0.9546	0.9557	0.9600	0.9625
Gold	1264.23	1266.00	1275.80	1299.97	1300.00
Silver	14.77	14.90	14.94	14.98	15.00
Crude	61.11	64.70	64.79	64.80	66.60

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
1	24-Apr-19	S	GBP-USD	1.2933 1.2495 1.3155	Sustained Brexit uncertainty and pressure to oust PM May			
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	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
2	02-Apr-19	05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
3	05-Mar-19	11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13
4	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61

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