

Monday, May 27, 2019

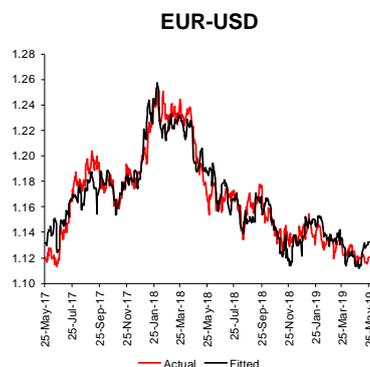
## Market Themes/Strategy/Trading Ideas – The week ahead

- The dollar weakened across the board on Friday following disappointing US April durable goods orders (note also downward revisions for March readings) and amid heightened suspicions that the Sino-US trade war would materially dent US growth prospects – fueling Fed rate cut expectations. Risk appetite steadied in line with slightly positive equities on Friday while the **FXSI (FX Sentiment Index)** inched lower within Risk-Neutral territory.
- On the **CFTC** front, large non-commercial accounts increased their net implied long dollar bias in the latest week but leveraged accounts pared slightly their long dollar bias. Asset manager accounts meanwhile reduced their short dollar bias in the same period.
- This week, apart from **Fed-speak** and **ECB** appearances, the **Bank of Canada** is expected to remain static at its policy meeting on Wednesday while the **Bank of Korea** is also expected to be a non-mover on Friday. Ones to watch on the data front include China May PMIs, India's 1Q GDP, and the US PCE readings on Friday.
- **Top-heavy USD-JPY.** Markets may get off to a slow start with the US Memorial Day long weekend with LDN also away for a long weekend. While near term dollar vulnerability may prevail for now, we think broader negativity from Sino-US trade tensions may continue to dominate on a secular basis. **In the interim, a heavy USD-JPY posture may retain sufficient conviction, either via USD weakness or renewed risk aversion.**

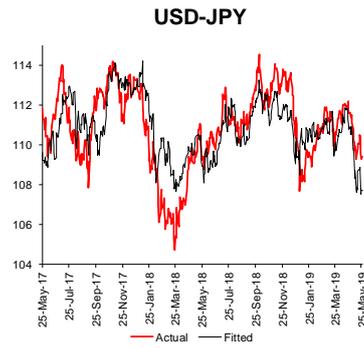
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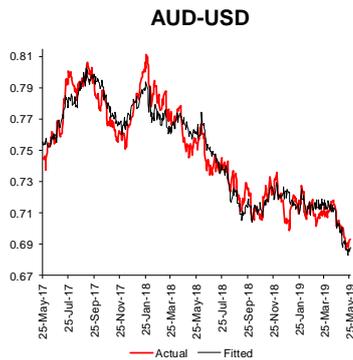
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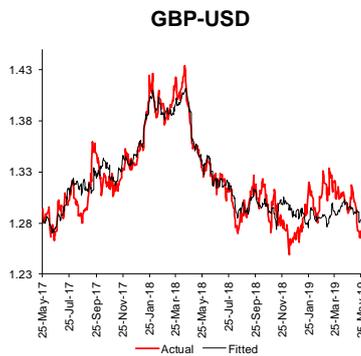
**Consolidate.** Provisional results from the EU Parliamentary Elections saw the far-right make some but not sufficiently significant inroads and should not unsettle the EUR from this front. At the onset of the week, expect a supported/consolidative tone for the pair with short term implied valuations also looking underpinned. Expect a 1.1180-1.1230 range.



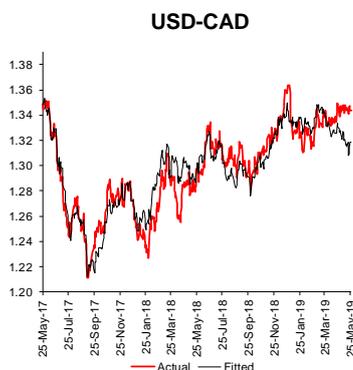
**Heavier.** Trump-Abe talks today may not yield much of consequence and with short term implied valuations looking laden, 109.50 is expected to cap with risks skewed towards 108.80 instead.



**Stay negative.** With the global economic pulse still mired in negativity, prospects for a sustained breach back above 0.6970 may remain slim at this juncture. Look to 1Q private capex numbers on Thursday and the China PMIs on Friday for further cues. In the interim look to fade upticks for 0.6865.



**Consolidative.** With PM May planning to step down on 07 June 19 and LDN still away on a long weekend today, the GBP may remain fairly neutral within 1.2670-1.2820. Note however that on a multi-session horizon, short term implied valuations remain south bound.

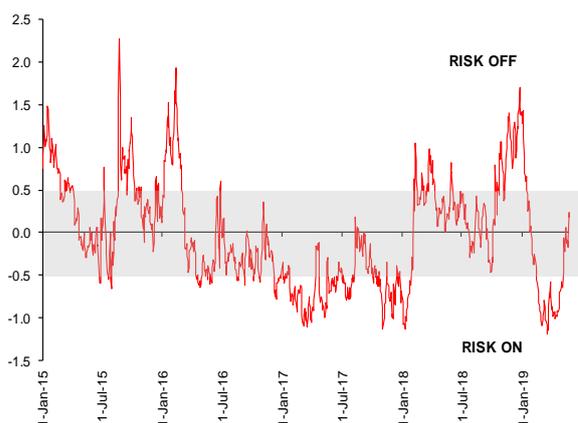


**Top heavy.** USD-CAD may start the week slightly top heavy although the pair may remain governed by a 1.3400-1.3500 range. Background expectations for a rate cut from the BOC may put a floor on the pair with short term implied valuations also attempting to stabilize.

## Asian Markets

- USD-Asia: Capped by heavy USD tone.** Ongoing USD weakness, coupled with regular jawboning from officials (note official verbal warning against CNY shorts over the weekend) benefitted EM/Asian FX, depressing the USD-CNH towards the 6.9100 zone. Expect USD-Asia to remain heavy to start this week, with limited lead from the USD due to the long weekend.
- Asia flow environment: Still providing no support for Asian FX.** The latest **EPFR** print revealed net equity outflows from Asia (excl. China, Japan) moderated in the latest week while net bond outflows from Asia increased slightly. In a nutshell and mirroring higher frequency data, net capital flows no longer provide any buffer for regional FX at this juncture. On the China front, note especially a flip to a significant implied negative equity outflow in the latest week.
- USD-SGD: Dipping alongside rest of USD-Asia.** The ongoing bout of USD weakness essentially gave remnant SGD bulls a lifeline, with the USD-SGD pair slipping towards the 200-week MA (1.3732) support. In-line with the spot, the SGD NEER firmed to +1.22% above its perceived parity (1.3910) this morning. On an intraday basis, look for the USD-SGD to navigate between support at the 200-week MA (1.3732), resistance at 1.3780. Note that April industrial production is firmer than expected, with the March prints so revised marginally stronger.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1107	1.1147	1.1183	1.1200	1.1231
GBP-USD	1.2600	1.2606	1.2663	1.2700	1.2956
AUD-USD	0.6840	0.6865	0.6890	0.6900	0.7051
NZD-USD	0.6482	0.6500	0.6518	0.6600	0.6682
USD-CAD	1.3400	1.3403	1.3476	1.3500	1.3502
USD-JPY	109.00	109.02	109.63	110.00	110.95
USD-SGD	1.3732	1.3760	1.3800	1.3830	1.3878
EUR-SGD	1.5275	1.5400	1.5432	1.5440	1.5447
JPY-SGD	1.2260	1.2500	1.2587	1.2600	1.2605
GBP-SGD	1.7400	1.7408	1.7474	1.7500	1.7689
AUD-SGD	0.9448	0.9500	0.9508	0.9589	0.9598
Gold	1266.00	1268.56	1282.10	1289.20	1299.26
Silver	14.33	14.50	14.55	14.60	14.89
Crude	57.33	58.40	58.49	58.50	58.99

Source: OCBC Bank

### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
<b>TACTICAL</b>								
1	14-May-19	S	AUD-JPY	76.12      73.90      77.20	Escalating Sino-US trade tensions			
<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	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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