

Tuesday, May 28, 2019

Market Themes/Strategy/Trading Ideas

- The dollar floated higher against the majors on Monday amid a LDN/NY long weekend with little positivity in the respective majors for investors to latch onto. A slight risk-off sentiment prevailed, with the **FXSI (FX Sentiment Index)** meanwhile ticking higher within Risk-Neutral territory.
- For today, EZ confidence indicators are due at 0900 GMT while the ECB's Villeroy is due to make an appearance at 0730 GMT. On the US front, with investor sensitivity to data releases picking up, look to the May Conference Board consumer confidence index (1400 GMT) and the May Dallas Fed at 1430 GMT. Elsewhere, the RBNZ's Financial Stability Report (2100 GMT) and subsequent press conference by the RBNZ governor at 2300 GMT may also impart further headline risk for the NZD.
- **Wait and see.** Mild caution towards global trade tensions may continue to circulate as investors strike a balance between implicit USD vulnerability and the negative hit on the cyclicals amid global trade tensions. We remain slightly biased towards the latter influence intra-day.



Consolidate. Potential Italian fiscal negativity may put a lid on the EUR-USD although the pair may continue to remain slightly consolidative in the near term. Note that short term implied valuations for the EUR-USD are looking increasingly supported and the pair may remain cordoned off by 1.1160 on the downside and by the 55-day MA (1.1235) up top.

Treasury Research &
Strategy

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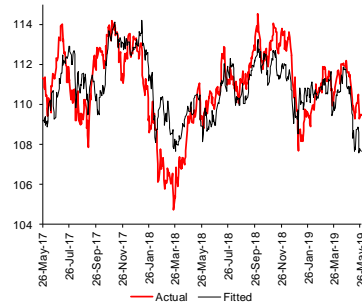
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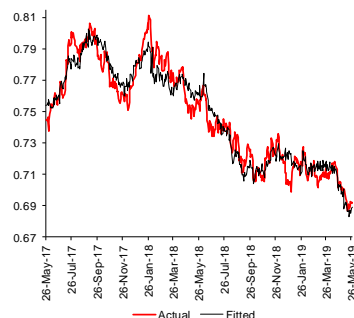
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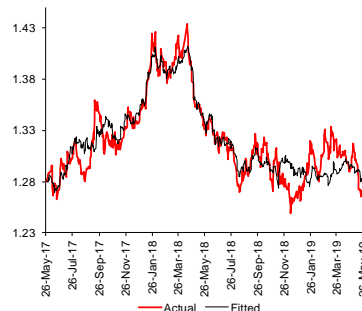
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USD-JPY

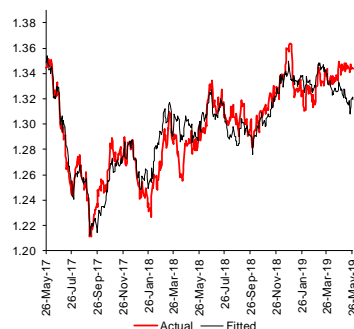
Heavier. Against a backdrop of softer US yields, we remain heavy on the USD-JPY in line with its short term implied valuations, especially with risk aversion lurking around the corner. Failure to retain the foothold at 109.50 puts 109.00 and 108.80 at risk.

AUD-USD

Stabilizing for now. Short term implied valuations for the AUD-USD are stabilizing in the short term and markets may be attempting to base build near the 0.6900 vicinity pending further developments while upticks towards 0.6950 may run out of gas.

GBP-USD

Sell rallies. The specter of a “no-deal” Brexit may haunt the GBP in the near term with the short-end vol surface also beginning to look slightly ‘anxious’. Short term implied valuations for the pair are also skewing slightly lower. Sell rallies within 1.2650-1.2750.

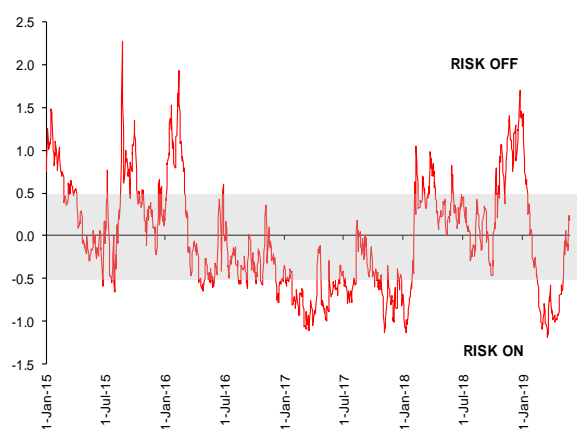
USD-CAD

Range bound. USD-CAD may remain within recent ranges ahead of the Bank of Canada meeting this week and the 1.3400-1.3500 band may persist. Hitherto slipping short term implied valuations for the pair are also beginning to stabilize.

Asian Markets

- USD-Asia: Contemplating the longevity of the recent dip.** Attempts at containing the RMB complex depreciation were helped by the USD dip. USD-CNH consolidated further on Monday following the weekend official warnings, and pushed close to 6.9000 at one stage. Expect the 6.9000-6.9500 range to persist for now. Nevertheless, with the trade issues still circulating, it remains to be seen how long this dip in USD-Asia may last. If the market re-focuses on trade issues, and with the BOK not expected to put in a hawkish shift in the upcoming meeting, the likes of the **KRW** may revisit recent lows.
- Asia flow environment: Challenging conditions persist.** Net portfolio inflows for South Korea are consolidating lower with previously strong net bond inflows finally capitulating and net equity outflows still in an extreme outflow balance. Meanwhile, net equity outflows for Taiwan are also continuing to deepen. The net flow balance in India remains essentially neutral (small deficit) while in Indonesia, net bond outflows for Indonesia remain at extreme levels. In Thailand, overall net outflows have been compressing back to a neutral balance with previous net bond outflows flipping to an inflow situation while equities are still printing minor net outflows.
- USD-SGD: Upside bias not yet negated.** The USD-SGD pair remained well-supported by the 200-week MA (1.3732) overnight, and we continue to expect this level to limit the downside intra-day. Further dips should meet stronger support around the 1.3700/20 region. On the topside, expect 1.3780 to cap. Meanwhile, the SGD NEER was largely steady overnight, standing at +1.18% above its perceived parity (1.3913) this morning.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1107	1.1147	1.1182	1.1200	1.1225
GBP-USD	1.2600	1.2606	1.2674	1.2700	1.2955
AUD-USD	0.6865	0.6900	0.6922	0.7000	0.7044
NZD-USD	0.6484	0.6500	0.6547	0.6600	0.6649
USD-CAD	1.3406	1.3407	1.3442	1.3493	1.3500
USD-JPY	109.00	109.02	109.48	110.00	110.86
USD-SGD	1.3654	1.3700	1.3772	1.3800	1.3830
EUR-SGD	1.5350	1.5380	1.5400	1.5440	1.5457
JPY-SGD	1.2278	1.2500	1.2579	1.2600	1.2605
GBP-SGD	1.7400	1.7407	1.7454	1.7500	1.7673
AUD-SGD	0.9460	0.9500	0.9534	0.9572	0.9587
Gold	1266.00	1268.73	1282.50	1288.83	1299.33
Silver	14.33	14.50	14.52	14.60	14.89
Crude	58.69	59.20	59.25	59.30	60.36

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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