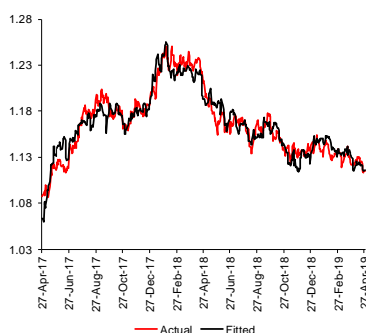


Monday, April 29, 2019

Market Themes/Strategy/Trading Ideas – The week ahead

- The dollar traded weaker against the majors on Friday as a softer than expected 1Q core PCE (+1.3% qoq) eclipsed a better than expected 1Q GDP headline of +3.2% qoq. This took the **DXY** back briefly below 98.00 as the greenback consolidated after its recent gains of gains. Elsewhere, despite positive EZ/US equities, the **FXSI (FX Sentiment Index)** ticked higher again within Risk-On territory for the 4th consecutive session.
- On the **CFTC** front, large non-commercial accounts increased their net implied long dollar bias in aggregate in the latest week but leveraged accounts essentially kept their net long dollar bias unchanged in the same period. Meanwhile, asset manager accounts pare their net implied short dollar bias in aggregate.
- **Favoring the USD.** Global core curves were softer on Friday and despite softer UST yields, aggregated rate differentials remain inherently supportive of the USD. **The EUR and GBP may continue to underperform the USD while the batch of global macro readings this week may provide more directionality for the cyclicals/EM.**
- Apart from headline risks emanating from the **Sino-US trade talks** in Beijing this week beginning from Tuesday, the **FOMC** this week on Wednesday may dictate the next leg of the USD. Meanwhile, the **BOE MPC** is on Thursday but the pound may remain under a cloud of Brexit-related uncertainty. The global data calendar will be busy with the turn of the month bringing the flood of **global manufacturing PMIs** as well as the US April labor market numbers on Friday.

EUR-USD



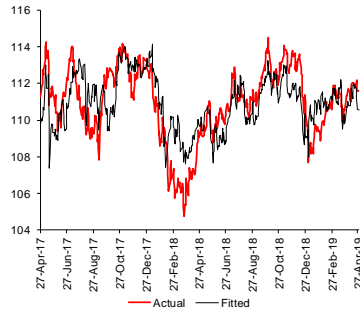
Still heavy. Pending the FOMC, short term implied valuations continue to decay and the 1.1100 floor may remain under threat ahead of ECB appearances from mid-week.

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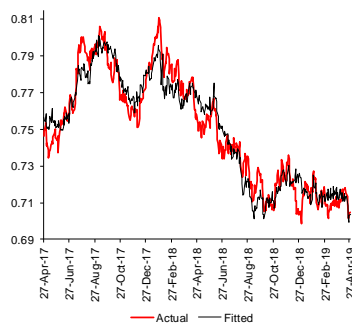
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USD-JPY



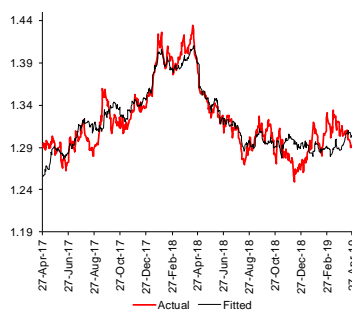
Watch for downside. Extended Golden Week considerations aside, short term implied valuations for the USD-JPY remain under pressure. In the near term, 112.35 may present itself as a solid ceiling with the 200-day MA (111.51) under threat instead.

AUD-USD

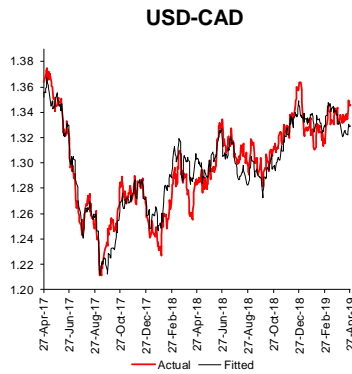


Fade upside for now. With 0.7100 expected to continue to cap at this juncture, the key psychological support at 0.7000 remains crucial after short term implied valuations were dislocated lower last week. Macro sentiment this week as well as any chatter from the Sino-US trade talks this week may provide better clarity multi-session.

GBP-USD



Still southbound. GBP-USD may continue to reject the 200-day MA (1.2960) in the current environment. Short term implied valuations have continued to roll over in the interim with scope for 1.2850 ahead of the BOE MPC this week.



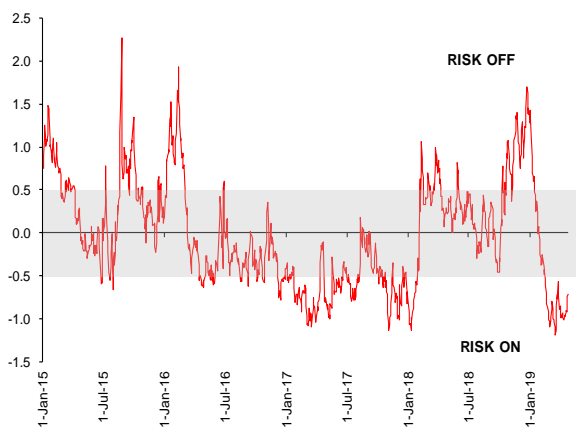
Accumulate dips. After being launched higher in the wake of the BOC last week, some consolidation may continue to ensue pending the headline heavy this week. In the interim, expect 1.3400 to incite a bounce.

Source: OCBC Bank

Asian Markets

- **USD-Asia** Asian FX may continue to nurse their losses over the past week and USD vulnerability in Asia may be limited despite a positive spin from US/EM equities on Friday and the greenback's capitulation on Friday. China's April PMIs are due on Tuesday while the slew of other Asian PMIs (including the Caixin PMIs for China) are also due on Thursday may further dictate sentiment in the region. **Meanwhile, note that Asian central banks continue to refrain from telegraphing excessively dovish signals.**
- On the **EPFR** front, net implied outflows from Asia equities (excl Japan and China) saw a significant deepening in the latest week while net bond flows also flipped to a net outflow balance in the same period.
- **USD-SGD – 200-day MA continues to be in play.** The SGD NEER is a touch softer at around +1.66% above its perceived parity this morning. NEER-implied USD-SGD thresholds are a touch lower on the day but USD-SGD may remain reluctant towards the downside. Preference to base out towards 1.3590 for 1.3640 instead intra-day with March industrial production also disappointing at -4.8% yoy last Friday. This week, look to the April PMIs due on Friday.

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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