

Wednesday, June 01, 2016

FX Themes/Strategy/Trading Ideas

- The greenback had an uneven session (note softer UST yields) against its major counterparts on Tuesday with investors trading off cues from the GBP and antipodeans instead while US data points (Personal income, personal spending, core PCE deflator, Chicago PMI, consumer confidence) provided little excuse for further USD buying.
- For US-specific dollar cues, investors may have to look towards the ISM and Beige Book later today, with Fed commentary expected to pick up again in the latter part of this week.
- Meanwhile, the **FXSI (FX Sentiment Index)** inched higher within **Risk-Neutral** territory on Tuesday on the slightly wobble in global equities. Overall, some investor caution on the global equity front is not seen excessively infecting FX space at this juncture.

Asian FX

- Risk appetite cues from Asian equities may prove confusing this morning with the China complex inching higher on talk of inflows, in contrast decline across most of the region. The string of PMIs out of China on Wednesday morning also provided no cause for renewed and excessive negativity although the yet higher USD-CNY midpoint may discourage undue heaviness in USD-Asia. Overall, the **Asian Currency Index (ACI)** may trade slightly heavier during the Asian session pending further cues out of the EZ/US.
- The **SGD NEER** is just a touch north of parity (1.3783) this morning at around +0.06% although we note that NEER-implied USD-SGD thresholds are slightly higher on the day. At current levels, the -0.50% threshold equates to around 1.3853 and -1.00% is estimated at 1.3922. Support is expected into 1.3735 and 1.3700 while 1.3810 and 1.3850 is expected to cap.

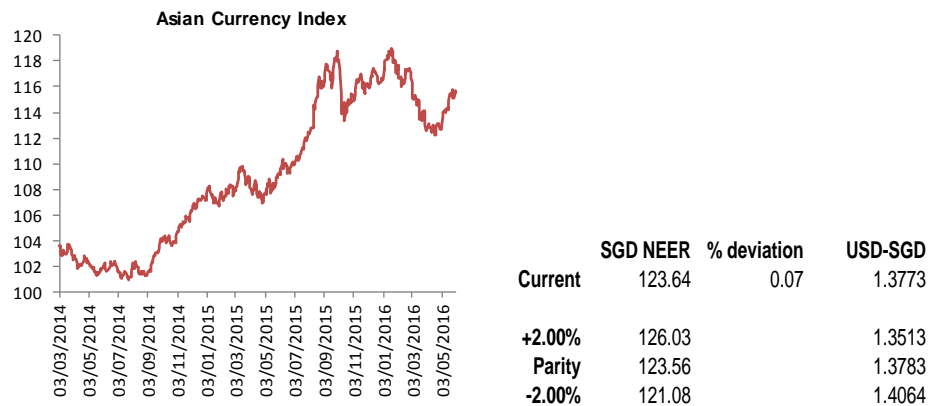
Corporate FX &
Structured Products
Tel: 6349-1888 / 1881
Fixed Income &
Structured Products
Tel: 6349-1810

Investments &
Structured Product
Tel: 6349-1886

Interest Rate Derivatives
Tel: 6349-1899

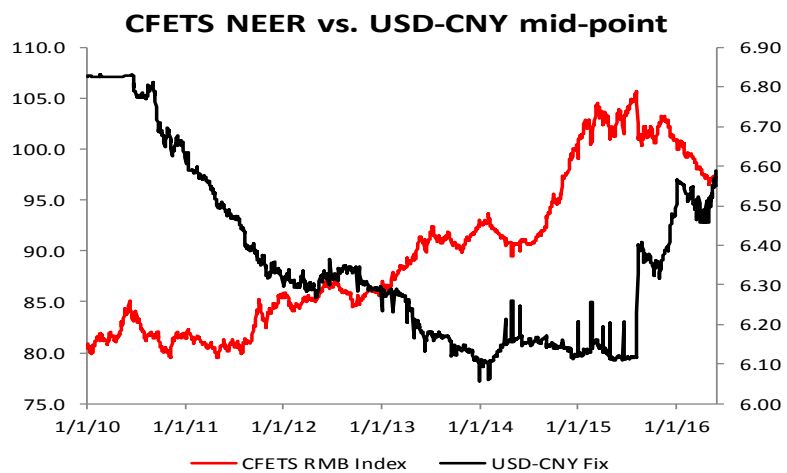
Treasury Research &
Strategy
Tel: 6530-4887

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com



Source: OCBC Bank

- The USD-CNY mid-point rose to 6.5889 from 6.5790, largely in line with expectations. Notably however, we continue to detect official reluctance towards a firmer **CFETS RMB Index**, with the Index slipping (as opposed to a slightly higher implied reading) to 97.08 from 97.15 yesterday.



Source: OCBC Bank, Bloomberg

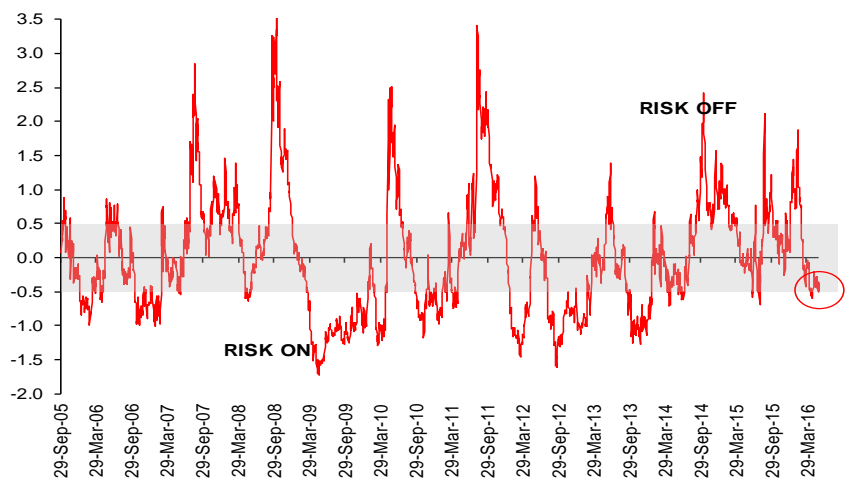
G7

- **EUR-USD** Slight contagion from the GBP may continue to weigh on the EUR-USD in the near term with EZ PMIs also scheduled during the European session. Any failure to re-take 1.1150 and the 100-day MA (1.1178) may turn attention towards the downside instead, where the 200-day MA (1.1096) may attract.
- **USD-JPY** USD-JPY may remain slightly top heavy intra-day despite the expected announcement by the PM (0900 GMT) to delay the sales tax hike as the USD's broad ascent stalls intra-day. In our view, the pair may continue to bounce on any probes towards the 55-day MA (109.94) and any upside violation of the 111.25-111.45 zone potentially setting the stage for a 112.00 print.
- **AUD-USD** The buoyant AUD has been fed fairly positive data points (1Q net exports, 1Q GDP) in the last 24 hours and this is expected to

continue to chip away at rate cut expectations. If the AUD-USD is able to lift off from its 200-day MA (0.7256), we think the recent negativity would be materially nullified pending further broad dollar cues.

- GBP-USD** The GBP-USD was hammered lower on Tuesday on negative results from two Brexit polls. Expect two-way volatility to heighten and a wider trading range to take shape ahead of 23 June with the vol surface significantly more nervous in the past week.

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	-0.374	-0.289	0.409	0.517	0.240	0.537	0.313	-0.458	-0.462	-0.279	-0.949
CHF	0.879	-0.330	-0.568	0.604	0.623	0.584	0.636	0.643	-0.522	-0.658	-0.565	-0.968
JPY	0.537	-0.135	-0.823	0.460	0.272	0.541	1.000	0.483	-0.279	-0.681	-0.802	-0.638
SGD	0.339	-0.346	0.480	-0.307	-0.237	-0.558	-0.195	-0.568	0.344	0.269	0.607	-0.190
AUD	0.054	0.298	-0.478	0.694	0.621	0.833	0.153	0.804	-0.582	-0.630	-0.532	-0.245
PHP	-0.042	-0.266	0.129	-0.635	-0.650	-0.587	0.083	-0.442	0.646	0.593	0.135	0.090
IDR	-0.155	-0.110	-0.188	-0.370	-0.710	-0.208	0.342	-0.313	0.724	0.199	-0.061	0.100
TWD	-0.263	0.063	0.703	-0.490	-0.106	-0.626	-0.676	-0.656	0.228	0.407	0.659	0.375
GBP	-0.264	-0.275	-0.684	-0.049	-0.334	0.450	0.454	0.293	0.435	-0.238	-0.598	0.067
CAD	-0.270	0.095	0.972	-0.574	-0.382	-0.910	-0.763	-0.837	0.290	0.813	0.936	0.490
CNH	-0.279	0.107	0.957	-0.496	-0.450	-0.842	-0.802	-0.763	0.345	0.808	1.000	0.478
CNY	-0.289	0.208	1.000	-0.467	-0.338	-0.857	-0.823	-0.745	0.233	0.806	0.957	0.483
CCN12M	-0.319	0.066	0.784	-0.395	-0.273	-0.582	-0.801	-0.567	0.258	0.566	0.858	0.488
INR	-0.319	-0.111	-0.460	-0.126	-0.558	0.185	0.330	0.083	0.547	0.004	-0.302	0.182
THB	-0.330	-0.068	0.850	-0.728	-0.499	-0.854	-0.727	-0.849	0.520	0.788	0.879	0.529
KRW	-0.339	-0.098	0.462	-0.761	-0.846	-0.736	-0.319	-0.786	0.792	0.679	0.565	0.460
USGG10	-0.374	1.000	0.208	0.249	0.076	-0.022	-0.135	0.072	-0.285	0.057	0.107	0.366
MYR	-0.377	0.101	0.882	-0.527	-0.571	-0.854	-0.725	-0.734	0.442	0.892	0.875	0.527
NZD	-0.465	0.486	0.793	-0.068	-0.118	-0.434	-0.851	-0.328	-0.069	0.573	0.711	0.544
EUR	-0.949	0.366	0.483	-0.523	-0.574	-0.446	-0.638	-0.498	0.466	0.606	0.478	1.000

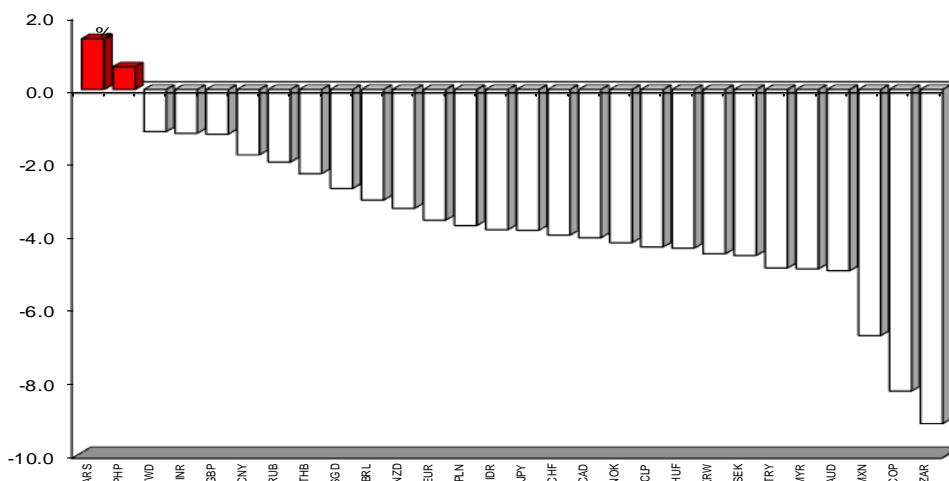
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1098	1.1100	1.1122	1.1200	1.1307
GBP-USD	1.4400	1.4405	1.4493	1.4500	1.4711
AUD-USD	0.7200	0.7253	0.7285	0.7300	0.7424
NZD-USD	0.6676	0.6700	0.6791	0.6800	0.6828
USD-CAD	1.2915	1.3000	1.3084	1.3100	1.3179
USD-JPY	109.73	110.00	110.67	111.00	111.55
USD-SGD	1.3601	1.3700	1.3774	1.3800	1.3842
EUR-SGD	1.5278	1.5300	1.5320	1.5375	1.5400
JPY-SGD	1.2400	1.2409	1.2446	1.2500	1.2700
GBP-SGD	1.9590	1.9900	1.9963	2.0000	2.0313
AUD-SGD	0.9869	1.0000	1.0035	1.0100	1.0109
Gold	1200.00	1205.35	1217.50	1247.80	1300.00
Silver	15.91	16.00	16.04	16.10	16.42
Crude	43.22	43.41	48.80	48.87	48.90

Source: OCBC Bank

FX performance: 1-month change agst USD



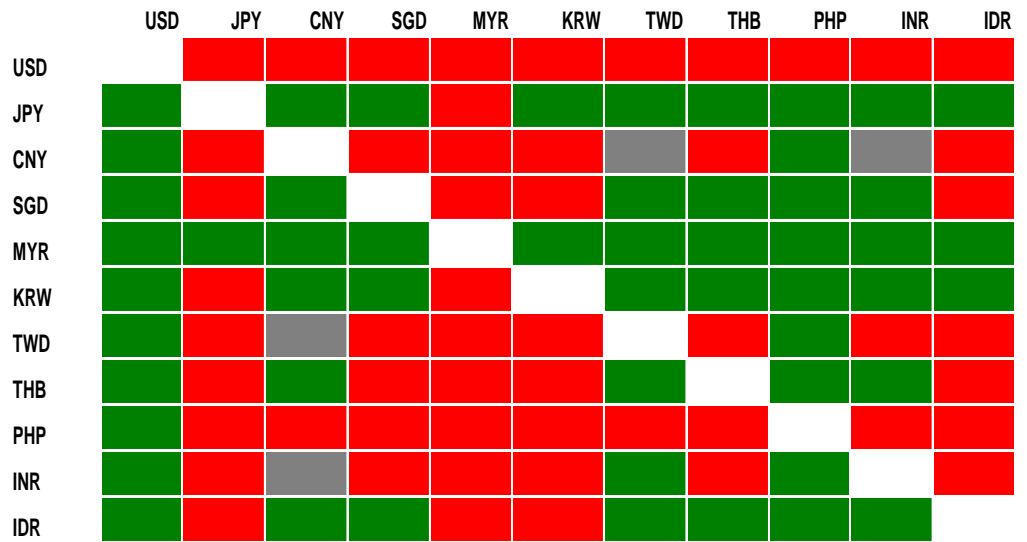
Source: Bloomberg

G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
AUD		Green	Green	Green	Green	Green	Green	Green
NZD	Red		Grey	Green	Red	Red	Green	Green
EUR	Red	Grey		Green	Red	Red	Green	Green
GBP	Red	Red	Red		Red	Red	Red	Red
JPY	Red	Green	Green	Green		Red	Green	Green
CAD	Red	Green	Green	Green	Green		Green	Green
USD	Red	Red	Red	Green	Red	Red		Red
SGD	Red	Red	Red	Green	Red	Red	Green	

Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	29-Apr-16	S	AUD-USD	0.7626	0.7095	0.7490	Negativity post 1Q CPI numbers	
2	09-May-16	B	USD-SGD	1.3623	1.3885	1.3490	Potential for USD strength ahead of Fed-speak	
3	09-May-16	B	USD-CAD	1.2929	1.3310	1.2735	Weak labor market numbers, deteriorating growth outlook	
4	18-May-16	B	GBP-USD	1.4438	1.4805	1.4255	Potential for bounce post-referendum	
5	19-May-16	S	EUR-USD	1.1224	1.0935	1.1370	Policy dichotomy play, especially after FOMC minutes	
6	19-May-16	B	USD-JPY	110.01	113.50	108.25	Policy dichotomy play, especially after FOMC minutes	
STRUCTURAL								
7	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
8	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
9	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
10	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
11	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	03-Feb-16	03-May-16	S	GBP-USD	1.4401	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	-2.36
2	14-Apr-16	05-May-16	S	USD-CAD	1.2832	1.3040	Bottoming crude prices	-0.24
3	20-Apr-16	09-May-16	B	GBP-USD	1.4374	1.4165	Moderating Brexit concerns, weak dollar, positive risk	+0.39
4	04-May-16	10-May-16	S	USD-JPY	107.21	109.00	USD vulnerability pre-NFP, potential risk aversion	-1.66
5	04-May-16	11-May-16	B	EUR-USD	1.1482	1.1372	Rate differentials in the EUR's favor	-0.99
6	19-Apr-16	13-May-16	S	USD-SGD	1.3439	1.3740	Potential for further broad USD decay, positive risk appetite	-2.17

Source: OCBC Bank

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.
