

Wednesday, August 03, 2016

FX Themes/Strategy/Trading Ideas

- With the disappointing US June core PCE providing the perfect excuse, USD weakness may continue to be endemic in the near term despite vaguely supportive rhetoric from the Fed's Lockhart. Markets stuck to a buy-rumor sell-fact playbook for the USD-JPY after the announcement of fiscal package and sentiment for the pair may remain heavy despite the re-emergence of official jawboning.
- Meanwhile, the AUD-USD managed to bounce after the RBA rate cut, presumably on a lack of direct telegraphing of further imminent cuts. Note that USD vulnerability may remain in place at this juncture for as long as risk appetite levels remain sanguine. Note that the **FXSI (FX Sentiment Index)** ticked higher on Tuesday but remained well within Risk-Neutral territory.

Asian FX

- The **Asian Currency Index (ACI)** may hesitate slightly towards the downside with regional equities off to a shaky start on Wednesday. In particular, the MYR is expected to be weighed further with crude sinking below 40.00. Structurally, the search for yield may be expected to push up against the reality of still anemic macro growth prospects, underscored by the ongoing Asian data stream.
- Despite disappointing Jul PMIs, the **SGD NEER** may have to continue to contend with widespread USD weakness with the Index currently at +1.06% above its perceived parity (1.3558). NEER-implied USD-SGD thresholds are lower on the day. At current levels, the USD-SGD may attempt to base out towards the +1.50% threshold estimated at 1.3358 if 1.3400 is perforated.

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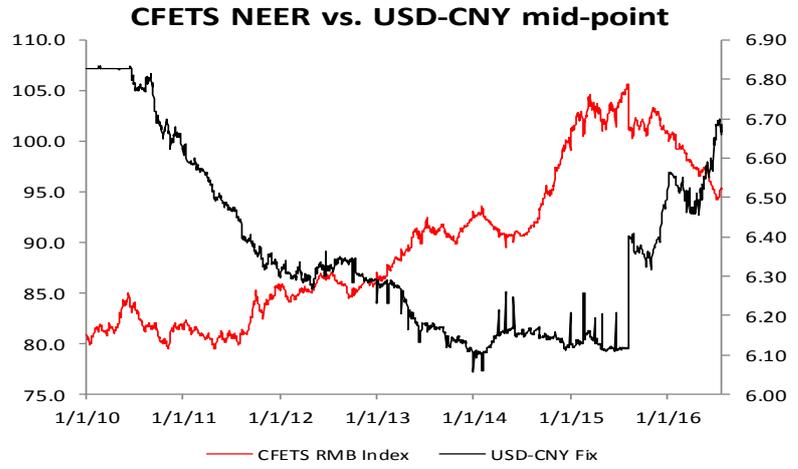
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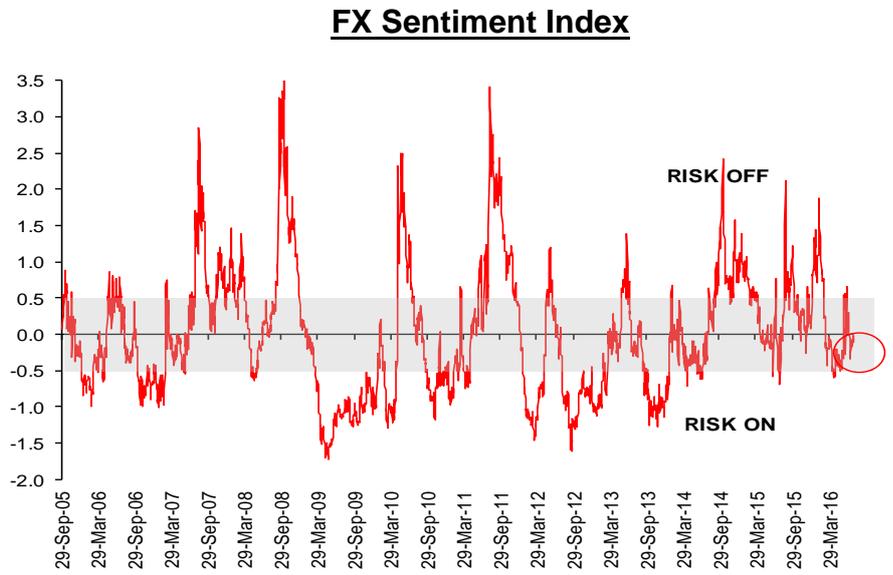


	SGD NEER	% deviation	USD-SGD
Current	124.94	1.12	1.3412
+2.00%	126.03		1.3292
Parity	123.56		1.3558
-2.00%	121.08		1.3834

Source: OCBC Bank



Source: OCBC Bank, Bloomberg



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	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

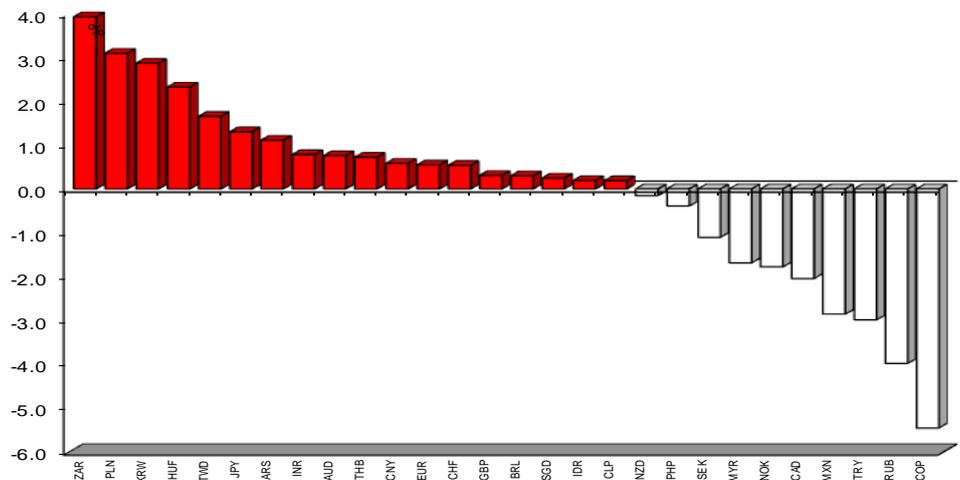
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1213	1.1215	1.1300	1.1428
GBP-USD	1.2940	1.3300	1.3329	1.3400	1.3405
AUD-USD	0.7450	0.7500	0.7594	0.7600	0.7653
NZD-USD	0.7060	0.7200	0.7215	0.7300	0.7325
USD-CAD	1.2975	1.3100	1.3114	1.3200	1.3240
USD-JPY	100.04	101.00	101.25	102.00	105.04
USD-SGD	1.3345	1.3400	1.3412	1.3500	1.3522
EUR-SGD	1.5000	1.5031	1.5042	1.5081	1.5100
JPY-SGD	1.2883	1.3200	1.3246	1.3300	1.3401
GBP-SGD	1.7463	1.7800	1.7878	1.7900	1.8064
AUD-SGD	1.0100	1.0128	1.0186	1.0200	1.0261
Gold	1302.07	1308.40	1363.00	1369.40	1377.50
Silver	19.46	20.70	20.71	20.76	20.80
Crude	39.65	39.70	46.38	47.77	49.02

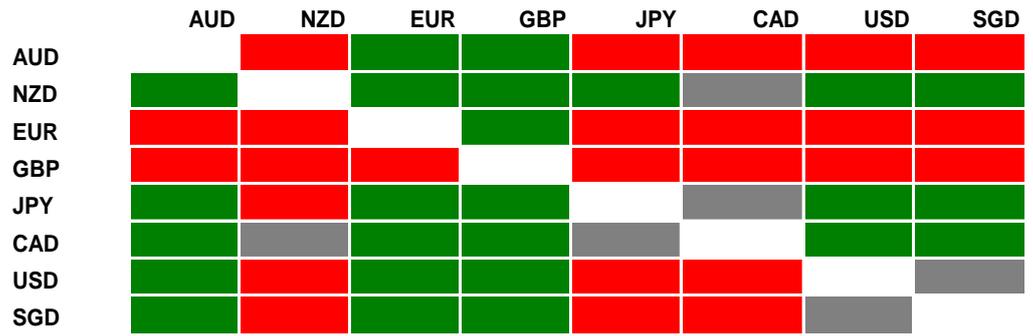
Source: OCBC Bank

FX performance: 1-month change agst USD



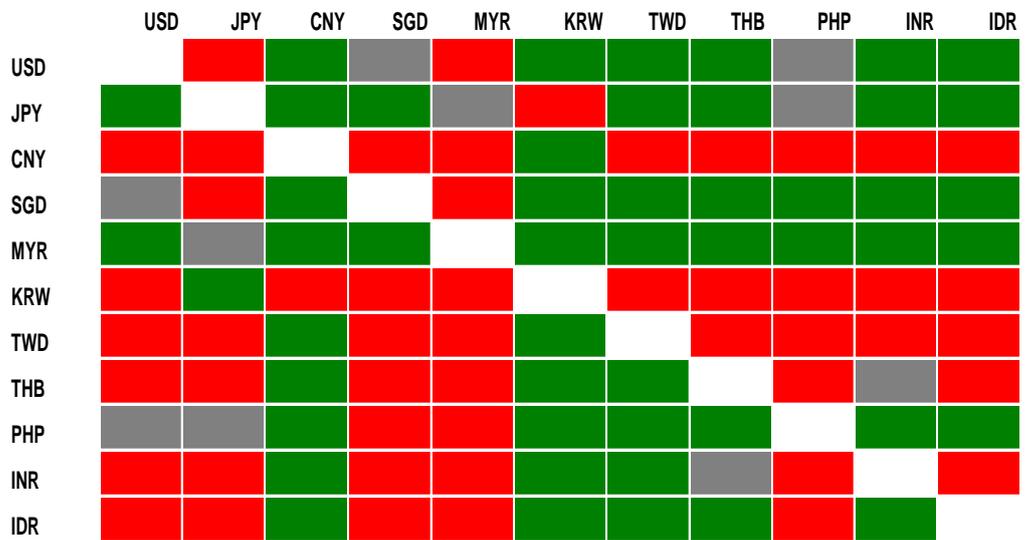
Source: Bloomberg

G10 FX Heat Map



Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
TACTICAL								
1	28-Jun-16	B	USD-CAD	1.2991	1.3355	1.2805	Concerns over the global deflationary impact from Brexit	
STRUCTURAL								
2	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
3	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
4	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
5	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
6	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
7	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	28-Jun-16	12-Jul-16	S	USD-JPY	102.19	104.50	Potential for further risk aversion	-2.25
2	05-Jul-16	28-Jul-16	B	AUD-USD	0.7528	0.7523	Search for yield amidst potential FOMC disappointment	+0.03
3	22-Jul-16	28-Jul-16	B	USD-JPY	105.83	103.45	Contrasting policy postures going into the next FOM/BOJ meetings	-2.28
4	21-Jul-16	29-Jul-16	B	USD-SGD	1.3579	1.3445	Potential for broad USD traction, NEER deemed rich	-1.00
5	28-Jun-16	01-Aug-16	S	EUR-USD	1.1057	1.1215	Brexit uncertainty coupled with Euroskepticism	-0.90
6	28-Jun-16	01-Aug-16	S	GBP-USD	1.3306	1.3204	Epicenter of Brexit concerns	+0.78

Source: OCBC Bank

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