

**Tuesday, November 08, 2016**

### FX Themes/Strategy/Trading Ideas

- Expect markets to remain in a wait-and-see mode ahead of the US election results. The current state of play sees expectations of a Hillary win favoring the greenback against the European complex with any improvements in risk appetite underpinning the cyclicals (AUD, NZD, CAD). Overall, with the eventual results still an open ended question in our opinion, expect heightened volatility if the eventual outcome grates against the current consensus.
- Elsewhere, with investor sentiment improving and global equities firming, the **FXSI (FX Sentiment Index)** dropped perceptibly overnight within Risk-neutral territory as markets moved to price in a Hillary victor on the back of at least two polls. Note the yet lower USD-MXN in Asia.
- With risk appetite levels accumulating into the US elections and the cyclicals disregarding USD resilience elsewhere in G10 space, we look to a tactical long **AUD-USD**. With a spot ref at 0.7708 on Tuesday in Asia, we target 0.7895 and place a stop at 0.7610.

### Asian FX

- Asian equities got off to a positive start on Tuesday but regional currencies may not partake significantly in improvements in risk appetite, looking instead to broad USD cues. As such, the **ACI (Asian Currency Index)** may see limited downside intra-day with near term risks likely to remain tilted to the upside.
- On the data front, look towards China October trade numbers scheduled to be released today, with the larger than expected drop in October foreign reserves reported yesterday likely to sustain CNY depreciation expectations.
- **SGD NEER:** The **SGD NEER** is slightly softer again this morning at -0.50% below its perceived parity (1.3830) with NEER-implied USD-SGD thresholds firmer on the day. Running into the US elections, we expect the NEER to continue to hover around the -0.50% neighborhood with -1.00% estimated at 1.3966. As noted previously, expect the topside for the NEER at around -0.30% to continue to hold.
- For the USD-SGD, the 1.3800/20 neighborhood may continue to support with initial resistance seen towards 1.3970. We continue to expect a preference for the SGD to be relatively more responsive to broad dollar cues as opposed to risk appetite fluctuations. Thus, despite the perceived

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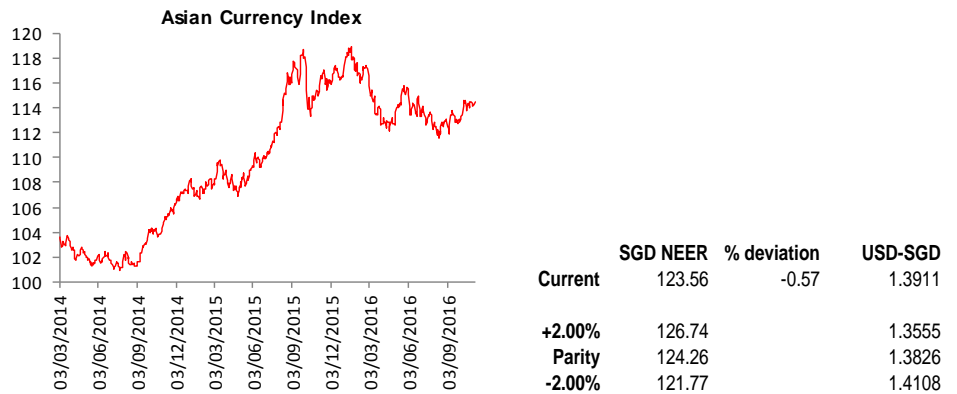
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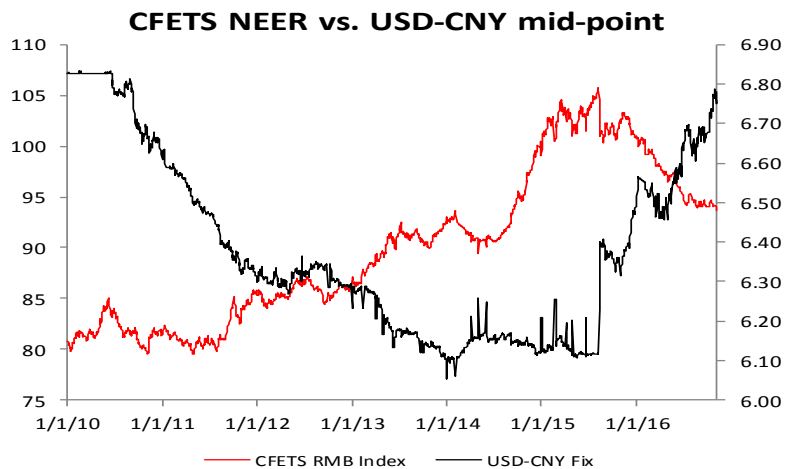
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improvement in global sentiment overnight, we note no real attempt at breaking significantly lower for the USD-SGD.



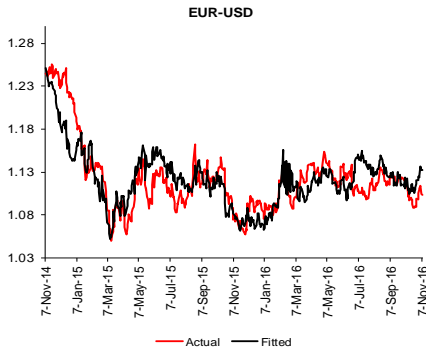
Source: OCBC Bank

- CFETS RMB Index:** This morning, the **CFETS RMB Index** fell further (but slightly less than expected) to 93.71 from 93.74 yesterday. Meanwhile, USD-CNY mid-point rose to 6.7817 from 6.7725 on Monday. Despite suspicions that renewed depreciation may be underway for the Index, we note that the realized volatility for the NEER and the USD-CNY mid-points have been managed lower in recent weeks, signaling perhaps an official desire to contain market fears of volatility.



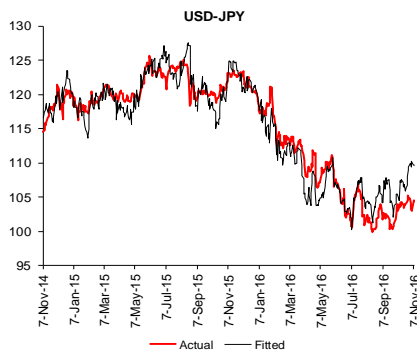
Source: OCBC Bank, Bloomberg

**G7**



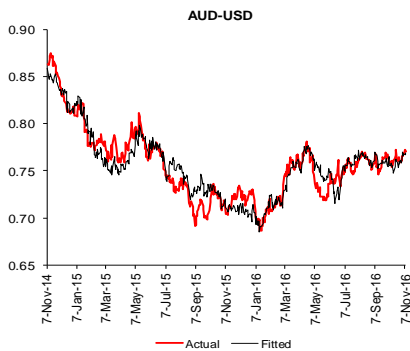
Source: OCBC Bank

- EUR-USD** Near term USD resilience ahead of the US election results may keep the EUR-USD slightly top heavy despite the pair still running soft relative to short term implied valuations. Expect the top to be cloudy with little visibility given the confluence of the 100-day MA (1.1129) and the 55-day MA (1.1126). Intra-day risks may remain slanted towards 1.1070/00.



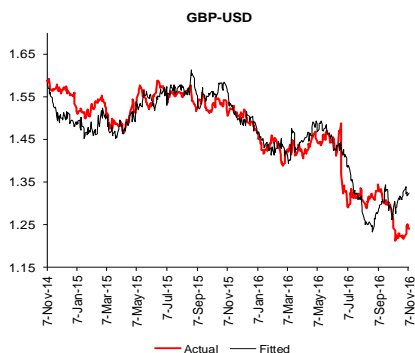
Source: OCBC Bank

- USD-JPY** Apart from the MXN and the CHF, USD-JPY we think would continue to reflect election-USD dynamics in the coming 24 hours. The pair remains stretched on the downside relative to near term valuation and may uncoil higher if the election results prove USD-friendly. Initial support is expected into the 102.80/00 neighborhood while we eye the upside towards 105.00.



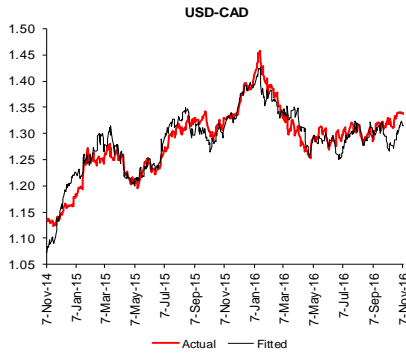
Source: OCBC Bank

- AUD-USD** With the RBA remaining essentially neutral, near term implied valuations for the AUD-USD have also continued to pull higher in the current risk appetite environment. Multi-session, if the pair is able to base build off the 0.7700 area, 0.7800 would not be perceived to be a stretch.



- GBP-USD** The technical setup for the GBP-USD remains somewhat discouraging for bulls with the rejection of the 1.2450 area. Meanwhile, note that PM May continues to target the end-March deadline for triggering A50. At the margins, expect also some responsiveness to potential broad dollar strength on the back of the US elections.

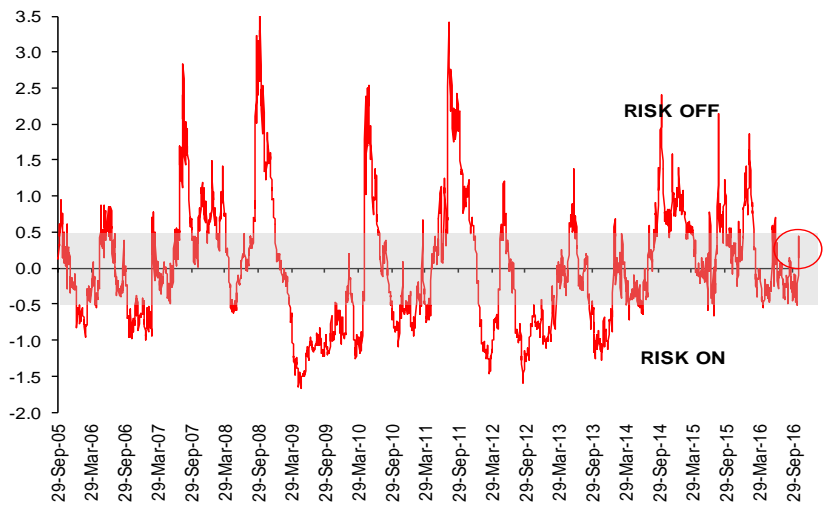
Source: OCBC Bank



- USD-CAD** USD-CAD may exhibit a slightly more consolidative tone with crude basing out on Monday and with positive risk appetite being buffered. As noted previously, the pair is also pushing the envelope on the upside relative to short term valuation. Expect a rangy 1.3335-1.3440 in the interim.

Source: OCBC Bank

**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

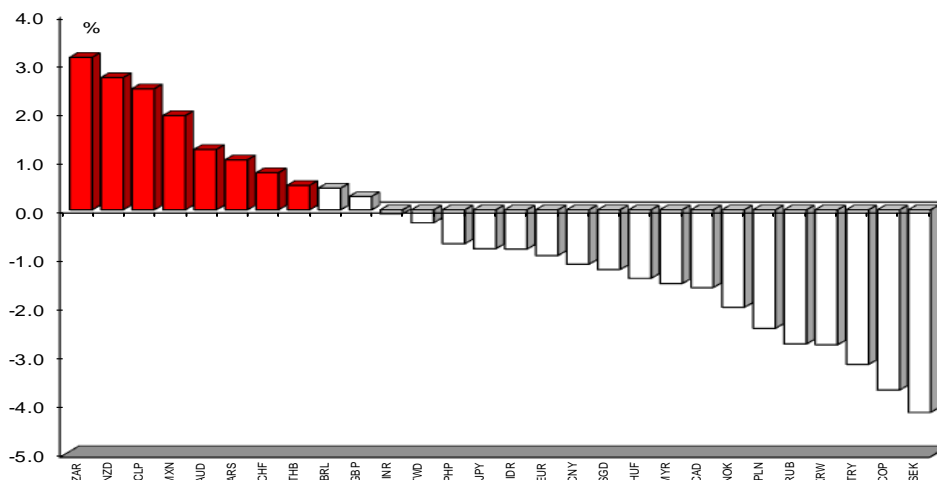
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0851	1.1000	1.1032	1.1100	1.1114
GBP-USD	1.2073	1.2300	1.2394	1.2400	1.2462
AUD-USD	0.7600	0.7608	0.7698	0.7700	0.7730
NZD-USD	0.7237	0.7300	0.7326	0.7359	0.7360
USD-CAD	1.3190	1.3300	1.3389	1.3400	1.3465
USD-JPY	102.91	104.00	104.44	105.00	105.17
USD-SGD	1.3802	1.3900	1.3913	1.3961	1.3964
EUR-SGD	1.5254	1.5300	1.5385	1.5400	1.5411
JPY-SGD	1.3233	1.3300	1.3307	1.3332	1.3400
GBP-SGD	1.6788	1.7200	1.7255	1.7277	1.7300
AUD-SGD	1.0464	1.0600	1.0667	1.0700	1.0737
Gold	1251.10	1279.55	1283.90	1296.66	1300.00
Silver	17.57	18.20	18.24	18.30	18.50
Crude	43.57	44.70	44.78	44.80	46.47

Source: OCBC Bank

**FX performance: 1-month change agst USD**



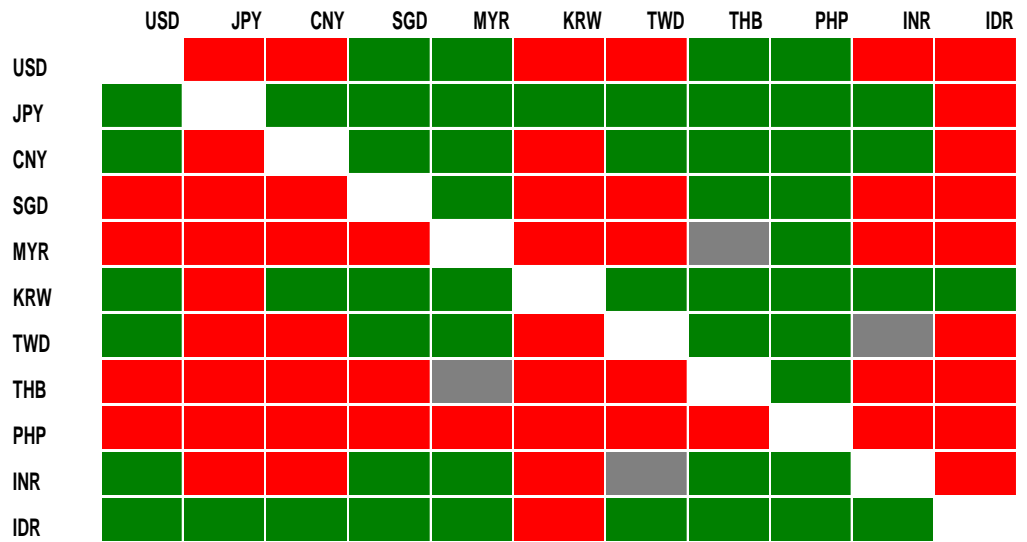
Source: Bloomberg

**G10 FX Heat Map**

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

Source: OCBC Bank

**Asia FX Heat Map**



Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
<b>TACTICAL</b>								
1	06-Oct-16	B	USD-JPY	103.48	106.95	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	
2	26-Oct-16	B	USD-CAD	1.3356	1.3635	1.3210	Softening crude, dovish BOC, potential USD strength	
3	08-Nov-16	B	AUD-USD	0.7708	0.7895	0.7610	Accumulating risk appetite despite USD resilience	
<b>STRUCTURAL</b>								
4	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
5	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
6	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollr prospects, negative space for SGD NEER	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	14-Jun-16	10-Oct-16	S	USD-SGD	1.3542	1.3718	USD expected to disappoint on the back of the summer FOMCs	-1.08
2	25-Aug-16	10-Oct-16	S	USD-CAD	1.2918	1.3230	Stabilizing global macro, potential traction for oil	-2.36
3	07-Oct-16	19-Oct-16	B	USD-CAD	1.3256	1.3104	Correlation breakdown between CAD and crude, USD support	-1.15
4	04-Jul-16	19-Oct-16	S	USD-JPY	102.58	103.88	Yield differentials to weigh on the pair, esp if Fed hesitates	-1.59
5	12-Oct-16	19-Oct-16	S	AUD-USD	0.7585	0.7690	"Yield" may be subjugated by dollar	-1.38
6	18-Feb-16	24-Oct-16	B	EUR-USD	1.1137	1.0880	Growing suspicion that the Fed will hesitate	-3.14
7	27-Oct-16	28-Oct-16	B	AUD-USD	0.7618	0.7587	Supportive risk appetite, metals, positioning, and positioning	-0.38
8	05-Oct-16	03-Nov-16	S	EUR-USD	1.1222	1.1125	Fade ECB-taper talk, potential US resilience	+1.00
9	12-Oct-16	04-Nov-16	S	GBP-USD	1.2271	1.2464	Fade GBP-USD upticks	-1.50
10	25-Aug-16	07-Nov-16	B	USD-SGD	1.3527	1.3866	Moderating net inflows in Asia, potential for broad USD uptick	+2.39
<b>Jan-Sep 2016 Return</b>								<b>+8.27</b>

Source: OCBC Bank

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