

Wednesday, November 09, 2016

**FX Themes/Strategy/Trading Ideas**

- With markets leaning into a Hillary win, the dollar spilt into two fronts on Tuesday, firming against the EUR, GBP, JPY, CHF (and XAU), while improving risk appetite levels saw the cyclicals (AUD, NZD, CAD) and the MXN pulling higher.
- With global equity markets climbing, the **FXSI (FX Sentiment Index)** slipped further within Risk-Neutral territory on Tuesday with Asian equities also off to a positive start in early trading on Wednesday.
- Going ahead, broad USD prospects may continue to be bi-partisan (pun intended) in the same manner as overnight price action as election headlines stream onto investors' screens this morning. Expect whipsaw to be the name of the game today.
- On other fronts, the Fed's Kashkari is scheduled to appear at 1830 GMT with Bullard early Thursday (0200 GMT). Meanwhile, the consensus is looking for a 25bps rate cut to 1.75% by the RBNZ (2000 GMT).

**Asian FX**

- USD-Asia is off to a heavy start as improved risk sentiment overrides dollar resilience (at this juncture) with the **ACI (Asian Currency Index)** likely on softer ground on the day. On the central bank front, the **Bank of Thailand** is expected to stand pat at 1.50% today.
- **SGD NEER:** The **SGD NEER** a touch firmer this morning at -0.41% above its perceived parity (1.3814) with NEER-implied USD-SGD thresholds mildly easier on the day. At current levels, the -0.50% threshold is estimated at 1.3884 and -1.00% at 1.3954 and we continue to expect markets to shy away from testing above -0.30%. USD-SGD may trade top heavy in tandem with the region pending the US election results.

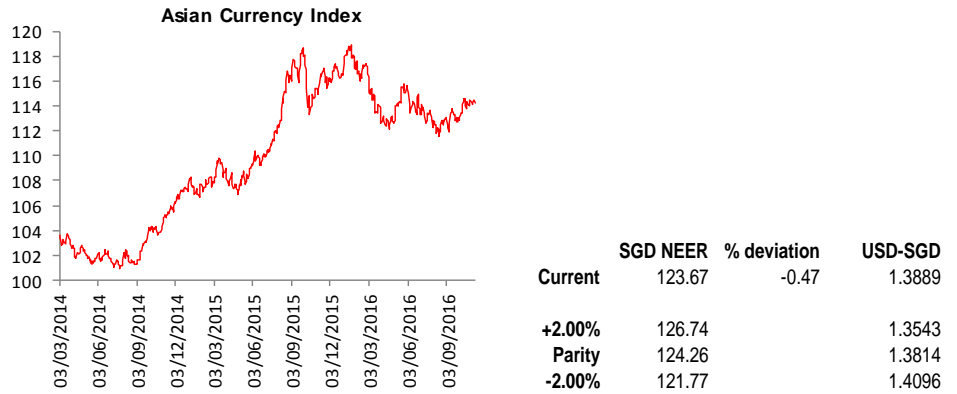
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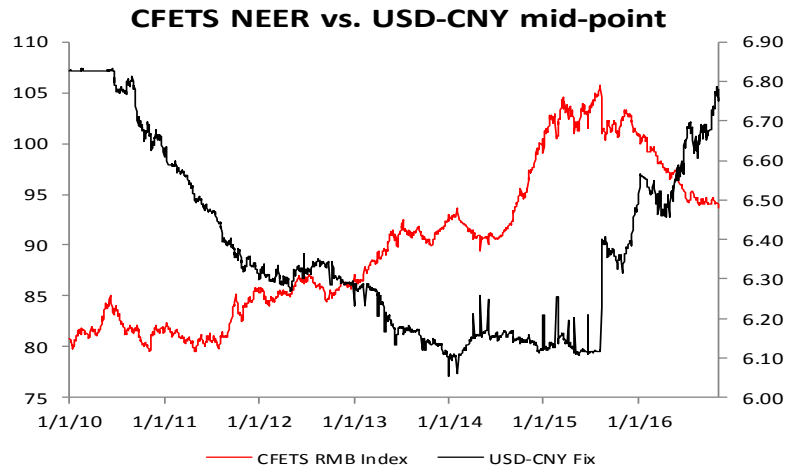
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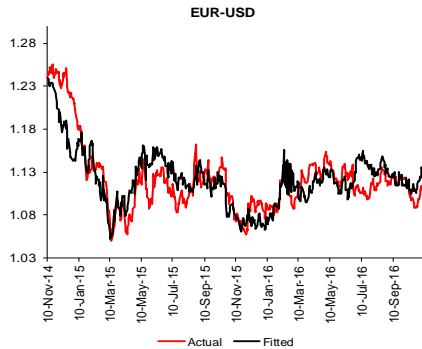


- CFETS RMB Index:** This morning, the **CFETS RMB Index** rose slightly (largely in line with prior expectations) to 93.75 from 93.71 on Tuesday as the USD-CNY mid-point gained slightly to 6.7832 compared to 6.7817 yesterday. RMB jitters may continue to mount with disappointing Oct China trade numbers (reported yesterday) on the heels of the larger than expected drop in foreign reserve numbers reported on Monday.



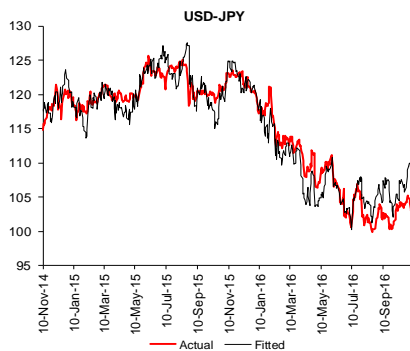
Source: OCBC Bank, Bloomberg

**G7**



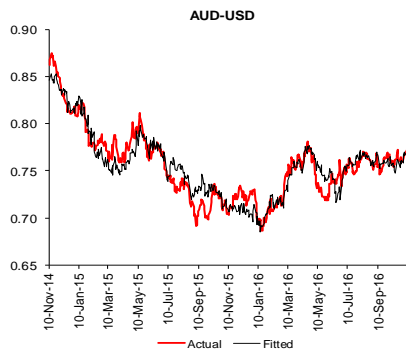
Source: OCBC Bank

- EUR-USD** A string of ECB appearances (including Praet and Coeure) are penciled in for today. In the interim, the EUR-USD may remain somewhat top heavy pending US election headlines despite the pair looking stretched on the downside relative to short term fair valuation. Initial support is expected at 1.1000 before 1.0965.



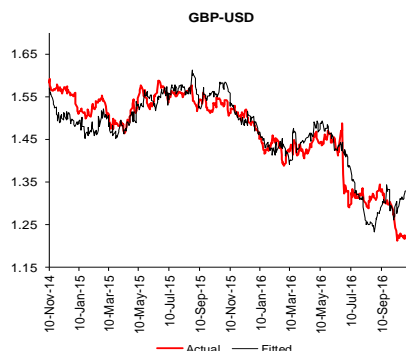
Source: OCBC Bank

- USD-JPY** USD-JPY is expected to remain a key barometer of the US election outcome with 105.60 a key resistance for today amidst a short term bid posture. As noted previously, USD-JPY remains somewhat soft relative to short term fair value.



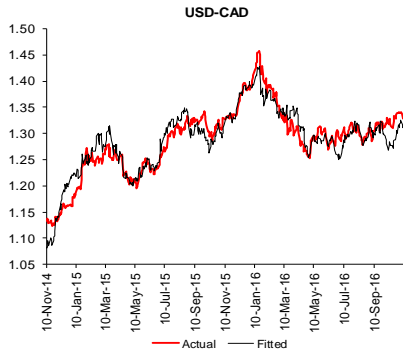
Source: OCBC Bank

- AUD-USD** Sanguine investor sentiment (at this juncture) may continue to underpin the likes of the AUD-USD. As noted yesterday, if the pair is able to base build off the 0.7700 area multi-session, 0.7800 would not be perceived to be a stretch.



- GBP-USD** GBP-USD softened slightly on the coattails of a stronger dollar on Tuesday while we also look for some potential domestic drivers today with the BOE's Gracie and Haldane scheduled to make appearances. Cable may remain range bound to a touch heavy pending global headline risks today.

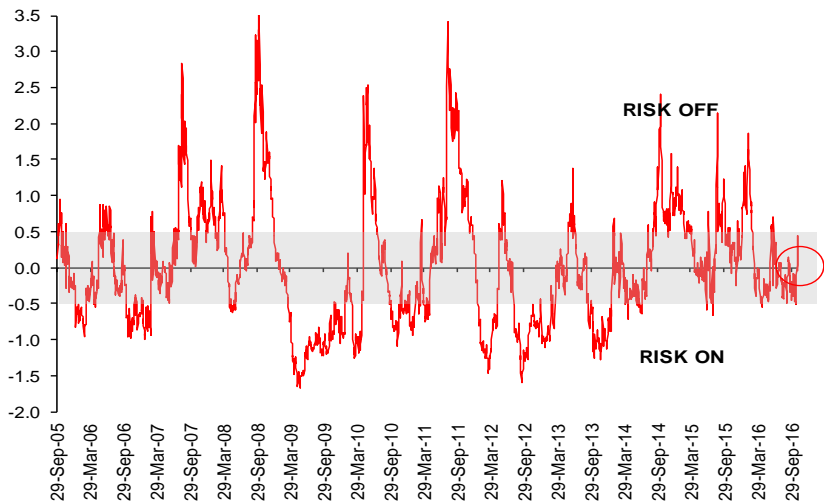
Source: OCBC Bank



- **USD-CAD** USD-CAD may remain heavy if positive risk appetite persists intra-day with the 1.3300 floor a key support level to watch. As noted previously, the pair had been running rich relative to short term valuations, leaving room for some capitulation lower.

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

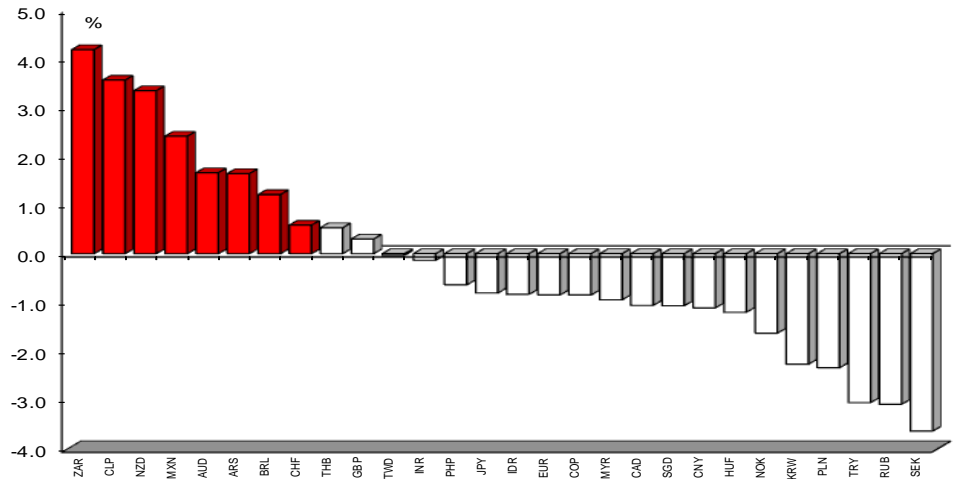
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0851	1.1000	1.1039	1.1100	1.1112
<b>GBP-USD</b>	1.2079	1.2300	1.2398	1.2400	1.2473
<b>AUD-USD</b>	0.7614	0.7700	0.7732	0.7753	0.7778
<b>NZD-USD</b>	0.7241	0.7300	0.7372	0.7394	0.7400
<b>USD-CAD</b>	1.3192	1.3300	1.3320	1.3400	1.3465
<b>USD-JPY</b>	102.95	104.00	104.65	105.00	105.34
<b>USD-SGD</b>	1.3800	1.3806	1.3890	1.3900	1.3957
<b>EUR-SGD</b>	1.5252	1.5300	1.5333	1.5400	1.5410
<b>JPY-SGD</b>	1.3200	1.3206	1.3277	1.3300	1.3331
<b>GBP-SGD</b>	1.6813	1.7200	1.7220	1.7276	1.7300
<b>AUD-SGD</b>	1.0479	1.0700	1.0740	1.0754	1.0784
<b>Gold</b>	1244.18	1251.10	1277.10	1280.27	1295.73
<b>Silver</b>	17.59	18.30	18.38	18.40	18.50
<b>Crude</b>	43.57	44.80	44.81	44.90	46.49

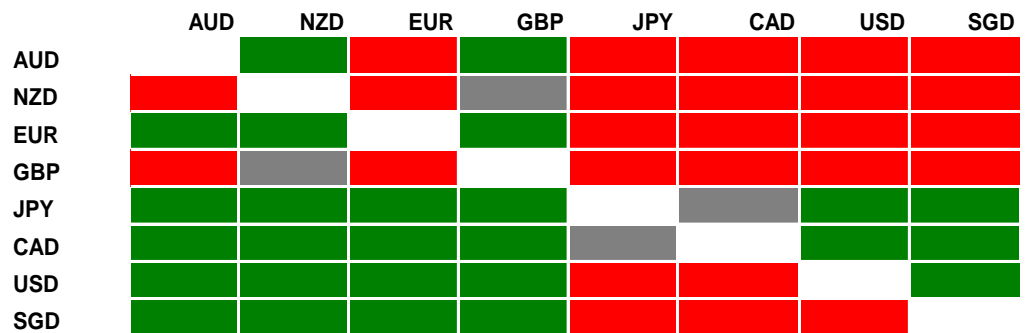
Source: OCBC Bank

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



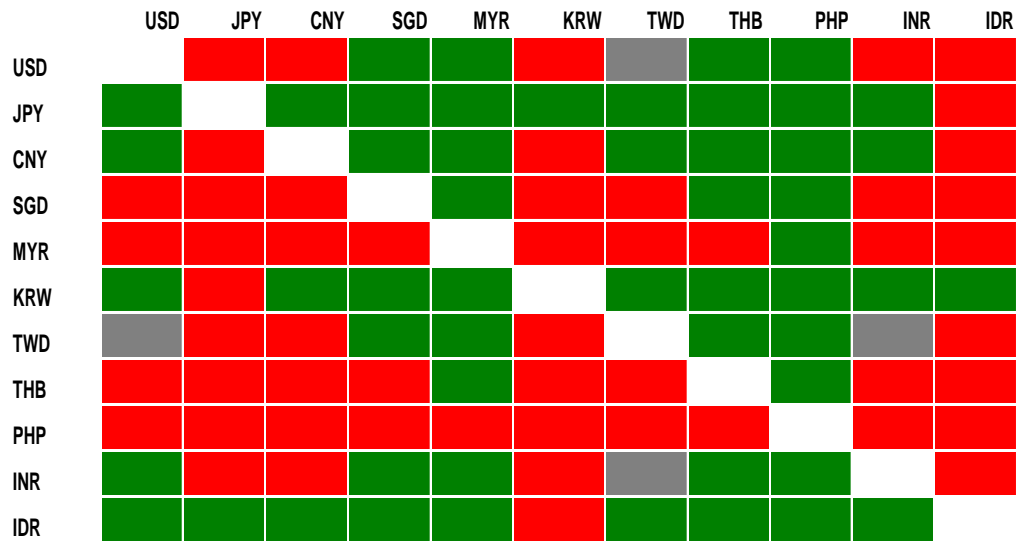
Source: Bloomberg

**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	
<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	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-Oct 2016 Return</b>								<b>+3.91</b>

Source: OCBC Bank

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