

Thursday, March 10, 2016

## FX Themes/Strategy/Trading Ideas

- Markets may remain divided ahead of the ECB later today, with positive risk appetite plays (**FXSI (FX Sentiment Index)** inching lower within Risk-Neutral territory) balanced against central bank policy dichotomy. With the **Bank of Canada** remaining static at 0.50% but coming across as less dovish than expected, the CAD (after surging post-BOC) may remain supported in tandem with the likes of the AUD. Elsewhere, the NZD wiped out after the **RBNZ's** surprise 25bps rate cut to 2.25% with Wheeler not ruling out further rate cuts if necessary. With Fed speak effectively shut down in the run up to next week's FOMC, expect investors to continue to rely on non USD-centric cues.
- For today, the market's primary focus will likely be on the ECB policy meeting (1245 GMT), with the central issue being whether Draghi would disappoint or outperform prior market expectations (of a depo rate cut, increase in asset purchases, and even tiered interest rates) of further monetary easing.

## Asian FX

- Coupled with a calmer CNY (CNH), the risk appetite environment remains fairly palatable in early Asia with buoyant equities/commodities, the **ACI (Asian Currency Index)** is expected to be heavy (i.e., soft dollar). On the central bank front, BNM and BOK kept their benchmark rates unchanged as expected with little undue concern towards growth prospects from either central bank although the latter remains somewhat more guarded.
- The **SGD NEER** this morning is hovering in familiar territory around -0.17% below its perceived parity (1.3797) with NEER-implied USD-SGD thresholds essentially unchanged on the day. For today, a generally heavy USD and supportive investor sentiment should keep the USD-SGD top heavy, with the 1.3800 support looking porous ahead of 1.3750.
- The **USD-CNY mid-point** was fixed higher this morning at 6.5127 from 6.5106 on Wednesday, bringing the CFET RMB Index lower (as expected) to 99.00 from 99.10 on Wednesday. With risk appetite levels at sanguine levels, implied CNY (CNH) expectations may be expected to remain relatively subdued in the near term.

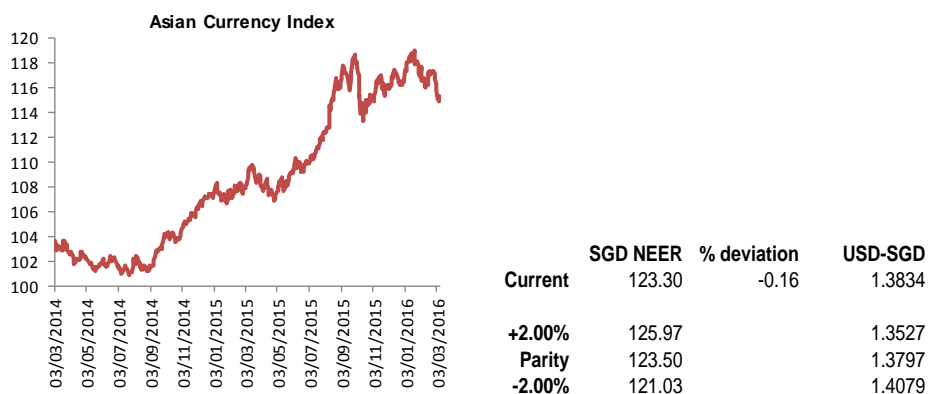
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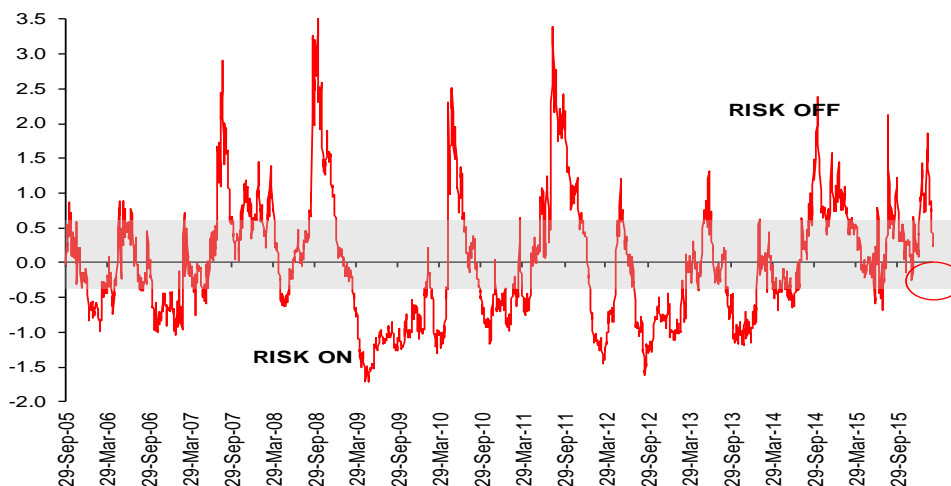


Source: OCBC Bank

## G7

- EUR-USD** It remains to be seen if today's ECB meeting will instigate a range break, with the 200-day MA (1.0977) still serving as a ceiling board. Meanwhile, any significant dovish overtones from Draghi may see the pair take out the 55-day MA (1.0977) towards 1.0900.
- USD-JPY** Expect range bound behavior for the USD-JPY in the near term within the borders of 112.00-114.00 (or more broadly, 111.00-114.55) pending further risk appetite cues. At this juncture markets are not actively looking for further BOJ easing overtures and with the BOJ's Kuroda still sounding relatively even handed.
- AUD-USD** The AUD-USD could reach higher in the near term but note that the recent run up has been on the back of the commodity complex and concomitant improvement in risk appetite levels. Initial support is seen towards 0.7400 while the pair may contemplate the 0.7500 resistance pending another external push.
- GBP-USD** The GBP-USD remained land locked on Wednesday and ended relatively unchanged on the day with Brexit concerns being largely priced in for now. Investors may likely retain a buy-dips stance in the current environment with the 55-day MA (1.4374) overhead while 1.4150 may support on any dips for now ahead of 1.4085.

### FX Sentiment Index



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

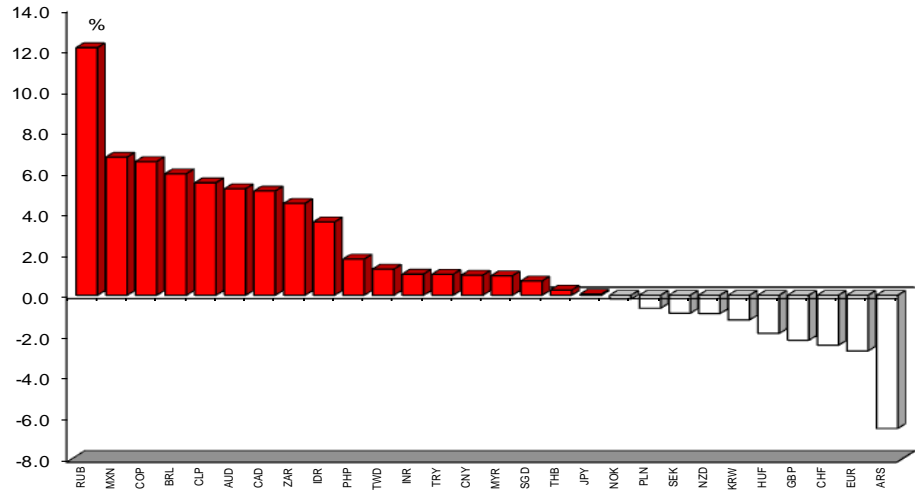
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0824	1.0900	1.0980	1.0981	1.1000
GBP-USD	1.3836	1.4100	1.4196	1.4200	1.4327
AUD-USD	0.7246	0.7400	0.7476	0.7500	0.7519
NZD-USD	0.6603	0.6622	0.6634	0.6700	0.6785
USD-CAD	1.3200	1.3229	1.3294	1.3300	1.3310
USD-JPY	112.02	113.00	113.63	114.00	114.64
USD-SGD	1.3757	1.3800	1.3837	1.3900	1.3970
EUR-SGD	1.5073	1.5100	1.5193	1.5200	1.5426
JPY-SGD	1.2068	1.2100	1.2176	1.2179	1.2200
GBP-SGD	1.9455	1.9600	1.9643	1.9700	2.0234
AUD-SGD	1.0117	1.0300	1.0345	1.0368	1.0384
Gold	1200.00	1201.56	1250.20	1274.66	1280.70
Silver	14.96	15.20	15.29	15.30	15.89

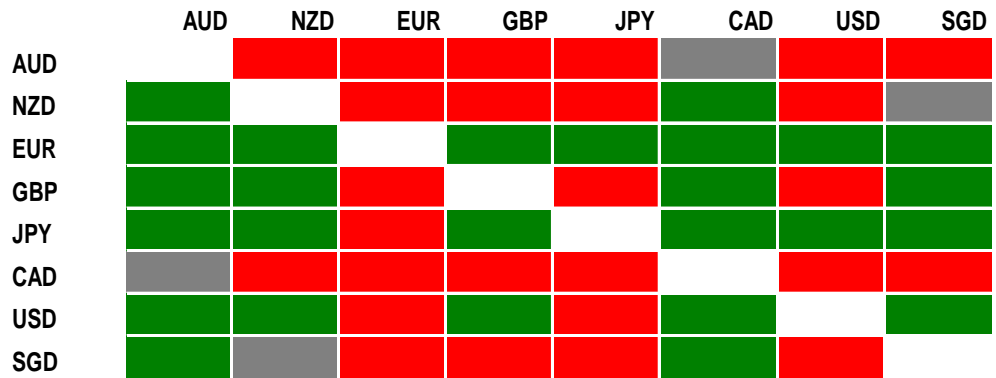
Source: OCBC Bank

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



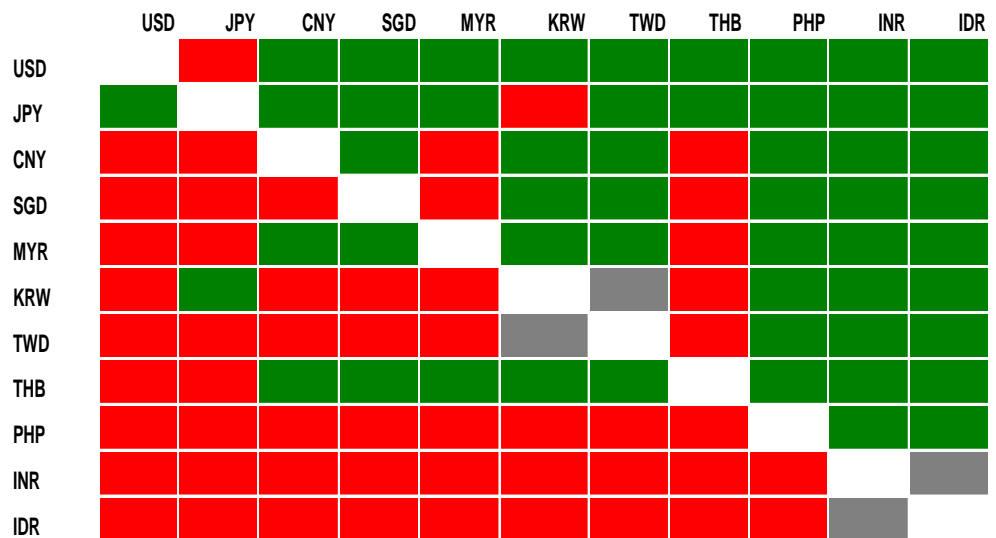
Source: Bloomberg

**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	
1	29-Feb-16	S	EUR-USD	1.0923	1.0640	1.1070	Contrasting short term data streams between EZ and US	
2	29-Feb-16	S	USD-CAD	1.3533	1.3135	1.3735	Bottoming crude	
3	03-Mar-16	B	AUD-USD	0.7284	0.7555	0.7145	Stabilizing commodities/equities, coupled with recent upside aussie data surprises.	
4	04-Mar-16	S	USD-SGD	1.3881	1.3630	1.4010	Brightening risk appetite, vulnerable broad dollar	
STRUCTURAL								
5	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
6	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
7	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
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	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	29-Dec-15	10-Feb-16	S	USD-JPY	120.25	113.45	Japanese macro and flow fundamentals may continue to argue for a flat to softer USD-JPY	+5.86
2	10-Feb-16	11-Feb-16	S	USD-JPY	114.50	112.62	Risk aversion + weakened dollar narrative	+1.67
3	04-Feb-16	16-Feb-16	S	USD-SGD	1.4158	1.4035	Dollar may stumble further post-Dudley	+0.85
4	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888	1.1045	Risk of Fed/dollar "disappointment"	+1.42
5	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45
6	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
7	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45

Source: OCBC Bank

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