

**Friday, June 10, 2016**

**FX Themes/Strategy/Trading Ideas**

- The dollar recovered slightly on Thursday as investor sentiment wavered slightly and the **FXSI (FX Sentiment Index)** ticked higher within Risk0Neutral territory. As a result, the JPY also managed to outperform across G10 space as commodities consolidated lower while UST and bund yields continued to search lower.
- Going into the next two weeks, the markets will be expected to brace for potential volatility with the **FOMC** (15 June 2016) and the UK's EU referendum (23 Jun 2016) looming large. Market caution with respect to **Brexit** concerns in particular have already manifested. Apart from option price action, we also note that the CHF (apart from outpacing the USD and the EUR) has outperformed even the AUD in the latest post-NFP dollar slide. Stay frosty.

**Asian FX**

- The **Asian Currency Index (ACI)** may bottom out slightly into the end of the week with dollar weakness capitulating slightly and with investor sentiment wobbling slightly (Asian equities in the red early Friday in Asia).
- The **SGD NEER** has settled lower at around +0.54% above its perceived parity (1.3616) with NEER-implied USD-SGD thresholds also moving higher on the day. At current levels, the +1.00% threshold is estimated at around 1.3482. The 55-day MA (1.3600) is expected to shelter while the +1.00% threshold should contain (note volatility measures remain slightly elevated) the downside into the end of the week and barring further broad dollar moves.

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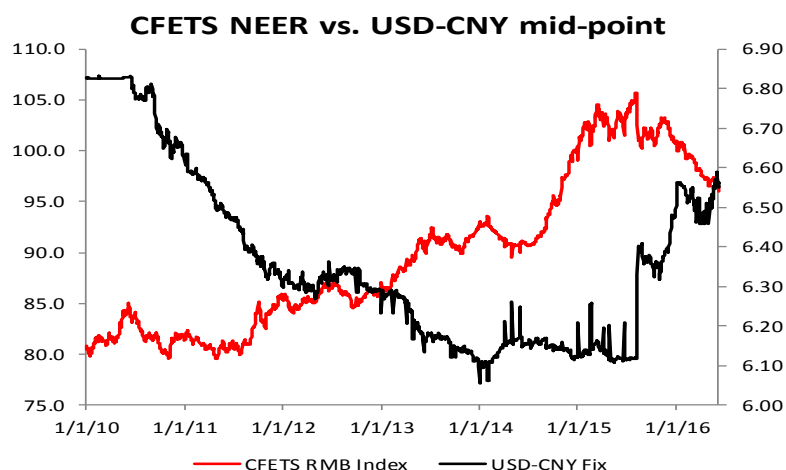
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	SGD NEER	% deviation	USD-SGD
Current	124.33	0.63	1.3541
+2.00%	126.03		1.3350
Parity	123.56		1.3616
-2.00%	121.08		1.3894

Source: OCBC Bank



Source: OCBC Bank, Bloomberg

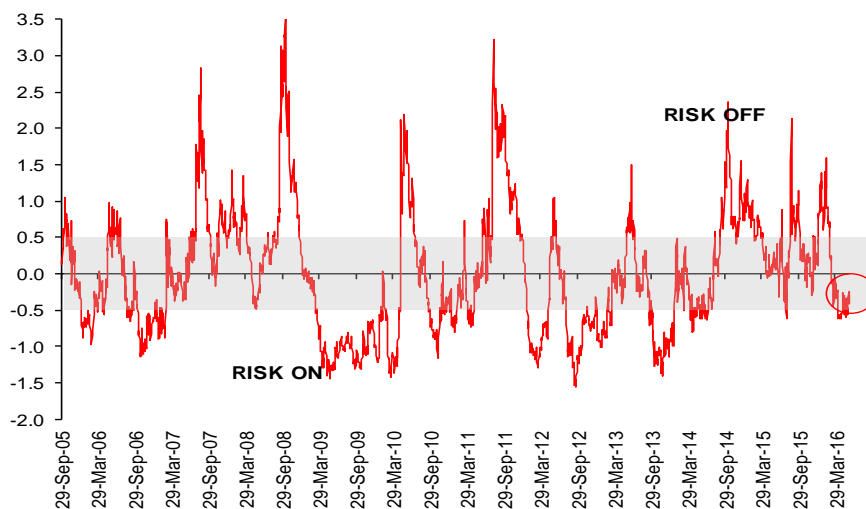
## G7

- EUR-USD** The EUR-USD may be slightly conflicted between USD vulnerability and the fast approaching UK referendum in the near term. Intra-day, the EZ data calendar is vacant but look to the string of scheduled ECB appearances. In the interim, the pair may continue to orbit the 1.1300 handle. EUR-CHF on the other hand seems at risk of breaching the 1.0900 floor in background investor jitters with 1.0840 the next likely key support.
- USD-JPY** Investors may fade near term upticks into the 108.00 roof while 105.85 may draw if risk appetite deteriorates further. In the interim, the pair may be content to circulate around the 107.00 neighborhood.

**AUD-USD** Note that NZD resilience failed to grant the AUD-USD sufficient lift on Thursday with the latter succumbing to a slight decay in risk appetite levels. We think larger forces are at play here with the AUD-USD having already retraced most of its RBA-inspired gains. In the interim, Good support is expected on dips into the 100-day MA (0.7385) while the 55-day MA (0.7477) is expected to shelter on upticks. We look to collect on dips in the pair pending the FOMC and risk appetite developments.

- GBP-USD** Much like the past week and a half, directional conviction for the GBP-USD may continue to remain lacking save for headline-induced volatility. As noted previously, macro headlines may also prove secondary to while realized volatility is expected to remain palpable on Brexit-related news flow. We look for a wide 1.4300-1.4700 range to bookend the pair in the coming sessions pending further clarity.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXEX	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

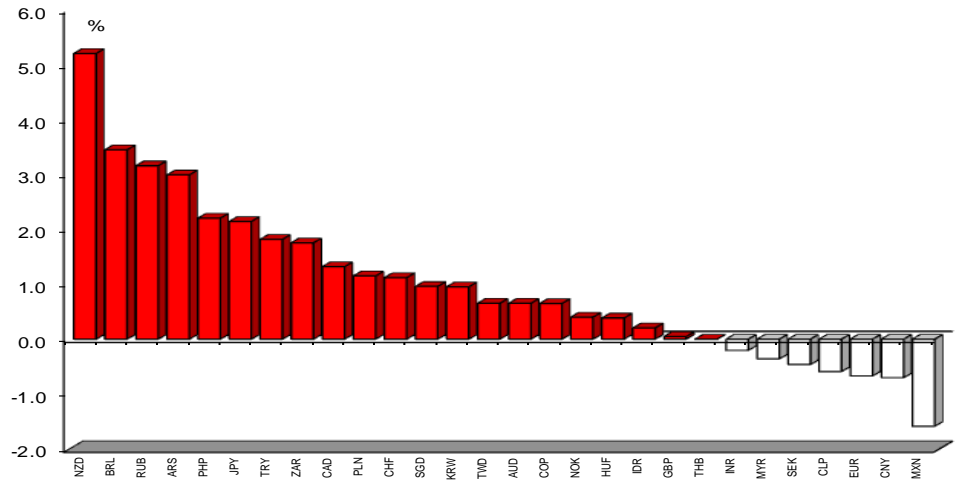
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1099	1.1200	1.1297	1.1300	1.1314
GBP-USD	1.4400	1.4433	1.4450	1.4500	1.4708
AUD-USD	0.7264	0.7400	0.7409	0.7459	0.7475
NZD-USD	0.7083	0.7100	0.7105	0.7148	0.7200
USD-CAD	1.2673	1.2700	1.2742	1.2800	1.2875
USD-JPY	106.00	106.25	106.98	107.00	108.96
USD-SGD	1.3458	1.3500	1.3552	1.3597	1.3600
EUR-SGD	1.5293	1.5300	1.5309	1.5381	1.5400
JPY-SGD	1.2483	1.2600	1.2668	1.2700	1.2703
GBP-SGD	1.9493	1.9500	1.9583	1.9600	1.9622
AUD-SGD	0.9878	1.0000	1.0041	1.0074	1.0100
Gold	1200.00	1249.53	1270.20	1292.02	1300.00
Silver	16.61	17.30	17.31	17.40	17.49
Crude	46.67	50.50	50.54	50.60	51.30

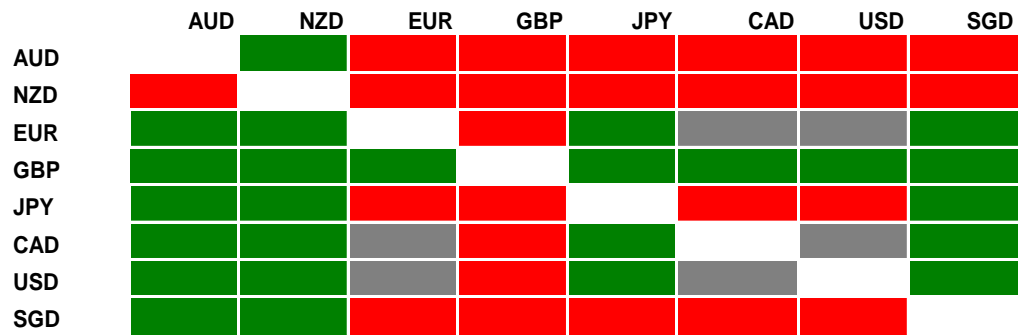
Source: OCBC Bank

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



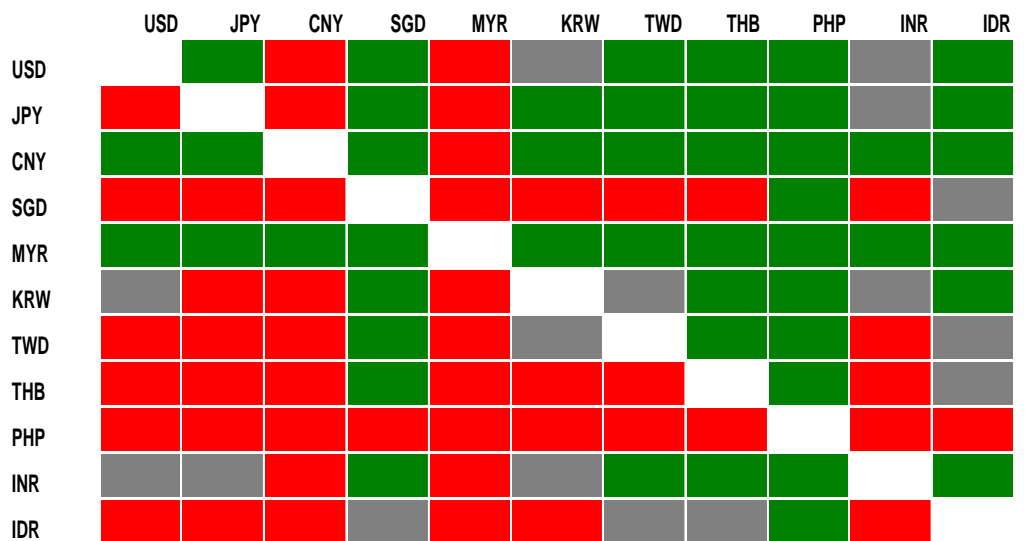
Source: Bloomberg

**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>STRUCTURAL</b>								
1	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
2	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
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	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
5	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	04-May-16	10-May-16	S	USD-JPY	107.21	109.00	USD vulnerability pre-NFP, potential risk aversion	-1.66
2	04-May-16	11-May-16	B	EUR-USD	1.1482	1.1372	Rate differentials in the EUR's favor	-0.99
3	19-Apr-16	13-May-16	S	USD-SGD	1.3439	1.3740	Potential for further broad USD decay, positive risk appetite	-2.17
4	18-May-16	03-Jun-16	B	GBP-USD	1.4438	1.4414	Potential for bounce post-referendum	-0.17
5	19-May-16	03-Jun-16	S	EUR-USD	1.1224	1.1370	Policy dichotomy play, especially after FOMC minutes	-1.24
6	19-May-16	03-Jun-16	B	USD-JPY	110.01	108.25	Policy dichotomy play, especially after FOMC minutes	-1.59
7	09-May-16	08-Jun-16	B	USD-SGD	1.3623	1.3520	Potential for USD strength ahead of Fed-speak	-0.83
8	09-May-16	07-Jun-16	B	USD-CAD	1.2929	1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53
9	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626	0.7490	Negativity post 1Q CPI numbers	1.64

Source: OCBC Bank

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