

Monday, April 11, 2016

FX Themes/Strategy/Trading Ideas – The week ahead

- The dollar continued to slip on Friday despite firmer UST yields and Yellen's comments from Thursday and expect the broad dollar to remain on the defensive (note UST curve flatter from the back-end on the week) at the onset of the week.
- This week, look to data/central bank cues with the Bank of Canada on Wednesday and the BOE on Thursday. With faith towards the dollar significantly eroded, expect market participants to trade off the other global central banks. However, Fed appearances are expected to be heavy, with Dudley, Williams, Lacker, Lockhart, Powell, and Evans on tap. In addition, look also to the IMF/ World Bank meetings this weekend and expect some volatility surrounding the ensuing news chatter. In the interim, we remain in the anti-dollar camp.
- On the **CFTC** front, implied "long" dollar positioning in aggregates collapsed significantly in the latest week, both from the perspective of large non-commercial as well as leveraged accounts. On the leveraged front, such weak long USD positioning has not been witnessed since 3Q 14.
- Elsewhere, risk appetite developments may also continue to have a bearing, with the **FXSI (FX Sentiment Index)** continuing to hover within Risk-Neutral territory.

Asian FX

- Expect the focus this week in Asia to be centered on the China front, with March CPI/PPI numbers coming in mixed. The swarm of China data releases this week includes monetary aggregates, trade numbers, industrial production, retail sales, and urban fixed asset investments. Expect these numbers to be topped off by 1Q GDP numbers due on Friday.
- In the interim, the "sanguine" USD-CNY mid-points and vulnerable broad dollar backdrop should keep the **ACI (Asian Currency Index)** top heavy, with the MYR expected to derive additional marginal support from stabilizing crude prices.
- This morning, the **SGD NEER** starts the week at around +0.14% above its perceived parity (1.3503) with NEER-implied USD-SGD thresholds lower on the day (and on the week) on the back of broad-based USD softness on Friday. At current levels, the +0.50% NEER threshold is estimated at 1.3437 and +1.00% at 1.3371 with risks for the pair likely oriented southwards intra-

Corporate FX &
Structured Products
Tel: 6349-1888 / 1881
Fixed Income &
Structured Products
Tel: 6349-1810

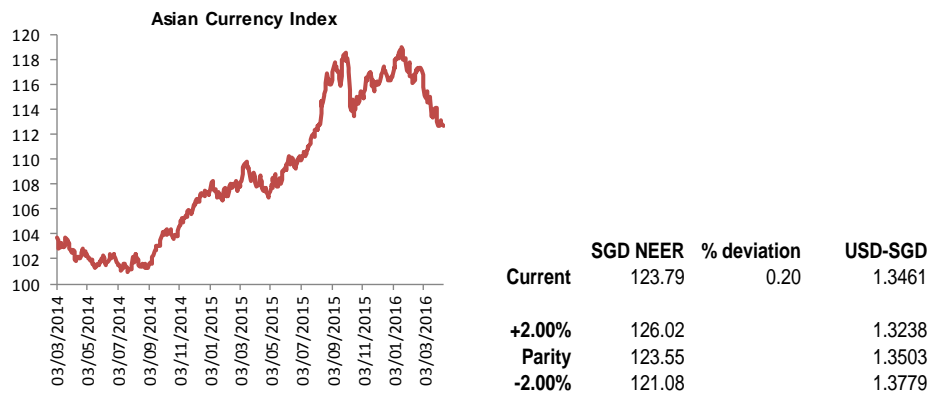
Investments &
Structured Product
Tel: 6349-1886

Interest Rate Derivatives
Tel: 6349-1899

Treasury Research &
Strategy
Tel: 6530-4887

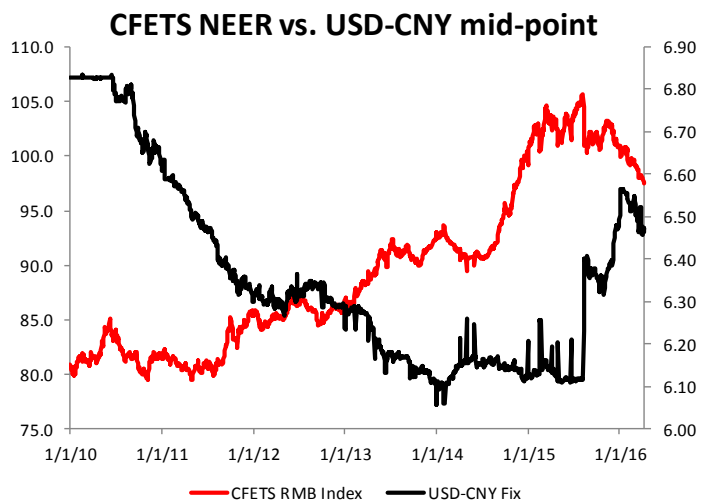
Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com

day.



Source: OCBC Bank

- The **USD-CNY mid-point** was set yet lower this morning and came in largely in line with expectations at 6.4649 (6.4733 on Friday). Note that this leaves the CFETS RMB Index softer at 97.50, from 97.64 last Friday. Despite broad-based dollar weakness, we feel that the authorities may seek to temper the basket's heaviness, potentially resulting in a still heavy USD-CNY mid-point trajectory.



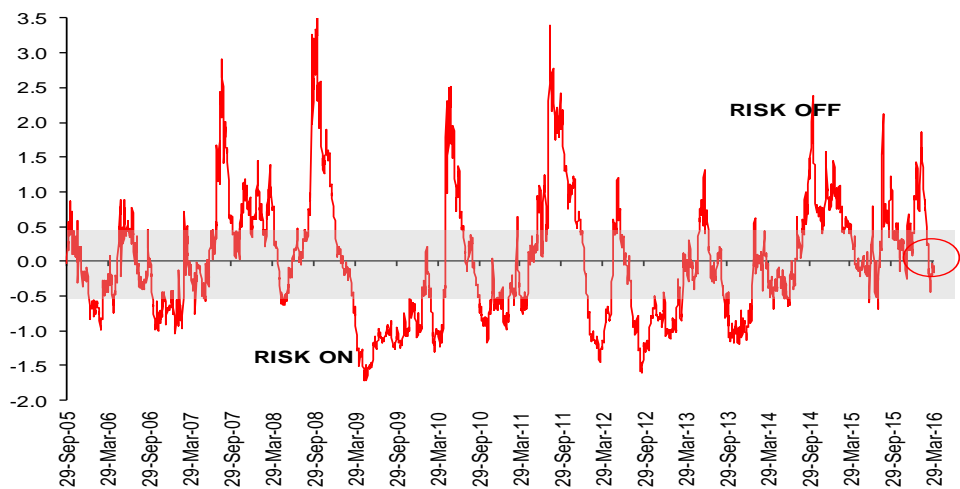
G7

- **EUR-USD** The EUR-USD may continue to remain somewhat aloft around the 1.1400 handle with net leveraged EUR shorts on the CFTC front reduced in the latest week. Underlying skepticism towards discretionary dollar outperformance may persist barring the slew of Fed-speak this week and expect the pair to remain attempt to reach towards 1.1485 if markets remain unconvinced about the FOMC's rate-hike intentions.
- **USD-JPY** Expect all eyes to remain on the MOF/BOJ this week but implicit downside pressure on the USD-JPY may still prevail. On the CFTC

front, net leveraged JPY longs were reduced slightly in the latest week but this we feel may not significantly discourage a market attempting to feel out the MOF/BOJ in terms of the intervention threshold. At this juncture, the line in the sand as perceived by the markets is expected to be at 105.00.

- AUD-USD** We look for slightly consolidative behavior at the onset of the week pending China-related headlines, risk appetite developments, and broad dollar cues. Also, expect potential domestic cues from the labor market numbers on Thursday. On the CFTC front, note that net leveraged AUD longs jumped significantly in the latest week, and this may serve to put a floor on the pair towards 0.7465 if 0.7500 is breached.
- GBP-USD** Contrasting influences from a soft greenback but inherent Brexit concerns may continue to keep the GBP-USD helmed in a heavy range. On the CFTC front, net leveraged GBP shorts were pared in the latest week but uncertainty may remain fairly apparent, keeping 1.4050 in play if 1.4100 is relinquished again.

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

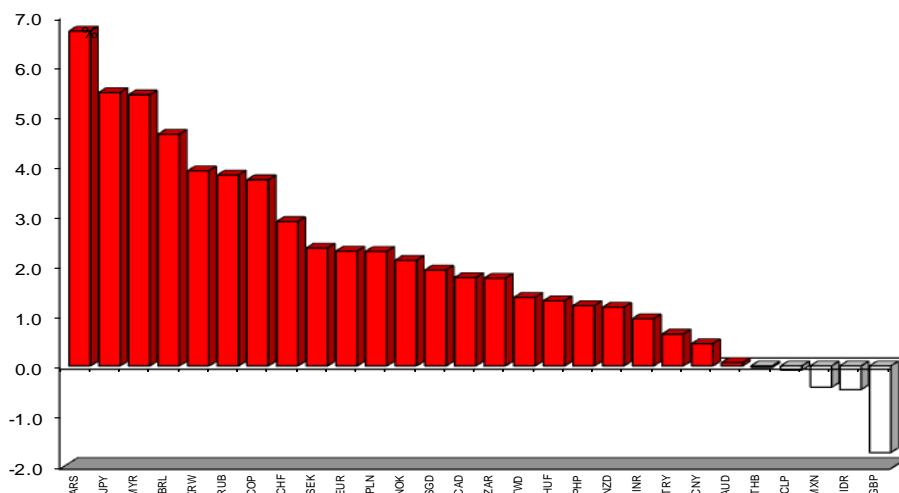
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1166	1.1400	1.1412	1.1454	1.1483
GBP-USD	1.3992	1.4100	1.4133	1.4200	1.4260
AUD-USD	0.7459	0.7500	0.7563	0.7600	0.7694
NZD-USD	0.6709	0.6800	0.6817	0.6900	0.6940
USD-CAD	1.2885	1.3100	1.3142	1.3200	1.3311
USD-JPY	107.00	107.63	107.93	108.00	108.11
USD-SGD	1.3400	1.3415	1.3461	1.3500	1.3759
EUR-SGD	1.5229	1.5300	1.5355	1.5400	1.5412
JPY-SGD	1.2217	1.2400	1.2430	1.2473	1.2500
GBP-SGD	1.8950	1.8970	1.9000	1.9688	1.9708
AUD-SGD	1.0163	1.0171	1.0174	1.0200	1.0402
Gold	1209.64	1223.29	1250.50	1260.45	1287.80
Silver	15.25	15.40	15.47	15.50	15.96

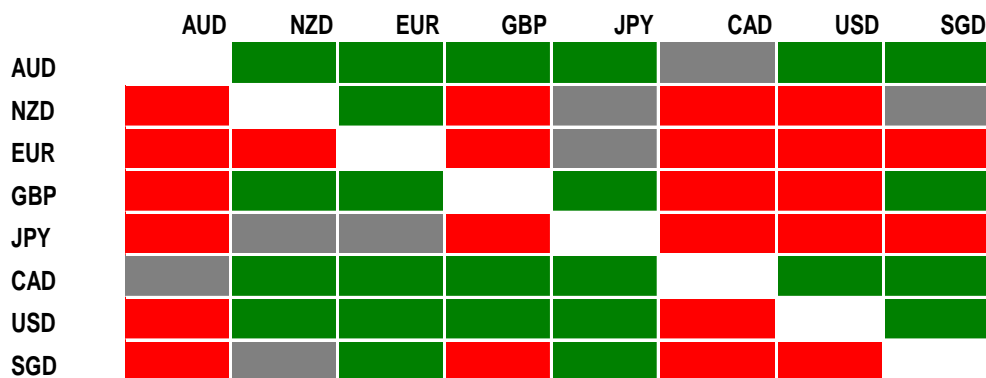
Source: OCBC Bank

FX performance: 1-month change agst USD



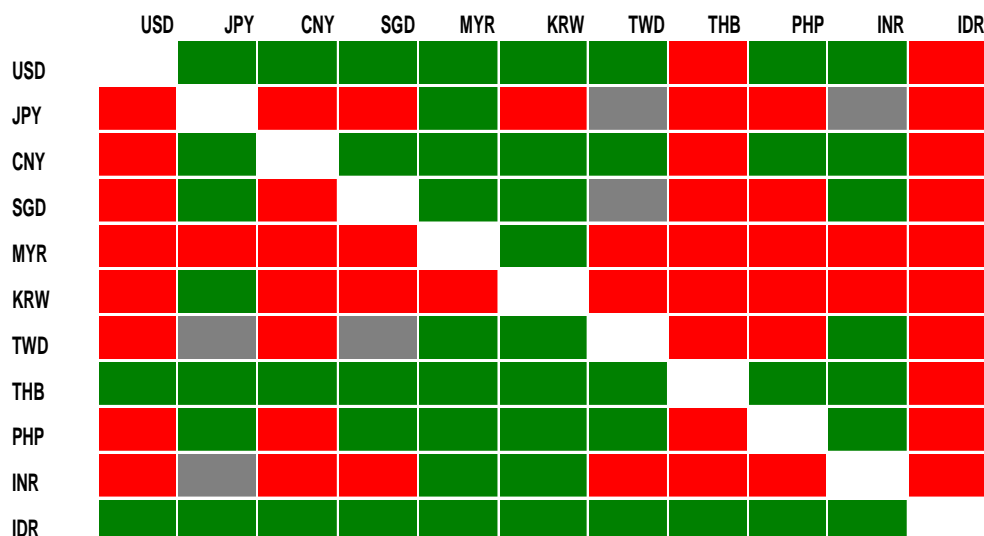
Source: Bloomberg

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	04-Mar-16	S	USD-SGD	1.3881	1.3380	1.3755	Brightening risk appetite, vulnerable broad dollar	
2	30-Mar-16	B	EUR-USD	1.1297	1.1630	1.1130	Dollar negativity post-Yellen	
STRUCTURAL								
3	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
6	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	14-Mar-16	15-Mar-16	B	GBP-USD	1.4380	1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	-1.41
2	18-Mar-16	24-Mar-16	B	EUR-USD	1.1321	1.1150	Tilt in policy balance after ECB and FOMC	-1.53
3	18-Feb-16	31-Mar-16	S	USD-SGD	1.4034	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	+4.54
4	03-Mar-16	08-Apr-16	B	AUD-USD	0.7284	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie	+3.19
5	29-Feb-16	08-Apr-16	S	USD-CAD	1.3533	1.3139	Bottoming crude	+2.98

Source: OCBC Bank

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.
