

Tuesday, October 11, 2016

FX Themes/Strategy/Trading Ideas

- Dollar strength is expected to remain in vogue intra-day following overnight price action and ahead of Wednesday’s FOMC minutes. Overall, markets seem to be singularly taking the cues from the continued firming of implied odds of a FOMC rate hike in the past seven sessions, dragging the broad dollar indices higher contemporaneously.
- Elsewhere, despite global risk appetite levels still looking sanguine and with the **FXSI (FX Sentiment Index)** easing lower again within Risk-Neutral territory on Monday, the yield hunt may be increasingly relegated (for now) to the sidelines amidst the current dollar environment.

Asian FX

- For today, expect the greenback to continue to hold the upper hand across Asia, with the **ACI (Asian Currency Index)** expected to float higher for the sixth consecutive session.
- This morning, the **SGD NEER** is yet softer at around -0.42% below its perceived parity (1.3712) with NEER-implied USD-SGD thresholds higher on the day in tandem with a firmer broad dollar tone. Near term views are unchanged with risk for the NEER to remain soft, with the -0.50% threshold seen at 1.3781 and -1.00% at 1.3850. Technically, with the 200-day MA (1.3700) serving as a floor, 1.3800 (ahead of 1.3840) may continue to attract in the current environment.

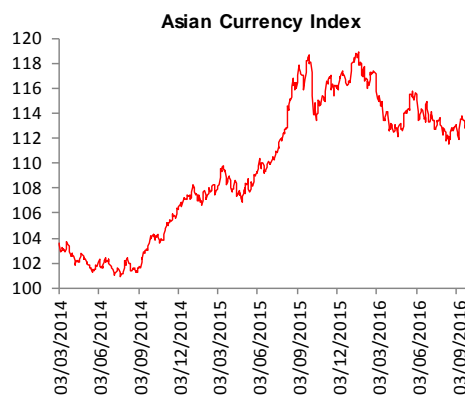
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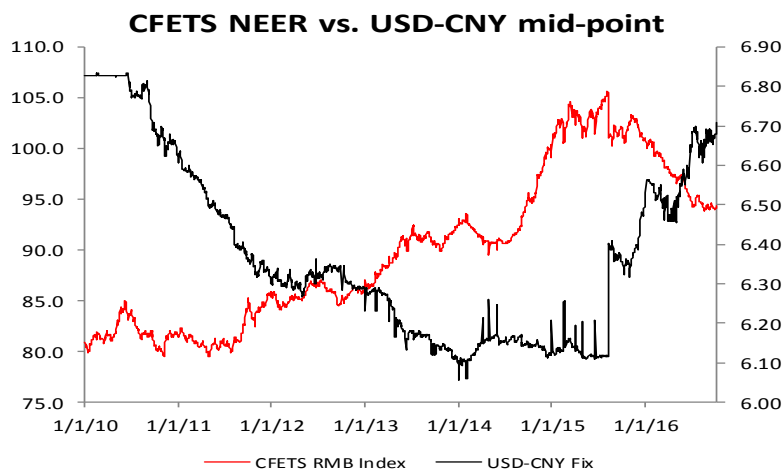


Source: OCBC Bank

	SGD NEER	% deviation	USD-SGD
Current	123.04	-0.41	1.3786
+2.00%	126.03		1.3443
Parity	123.56		1.3712
-2.00%	121.08		1.3991

- **CFETS RMB Index:** Stability seems to be the name of the game for now. The **Index** dipped slightly to 94.31 on Tuesday against 94.32 at the fix on Monday,

with the USD-CNY midpoint firming (but by less than expected) to 6.7098 from 6.7008 yesterday. Elsewhere however, we note CNH price action (and implied) continue to exhibit some degree of nervousness with respect towards potential depreciation.

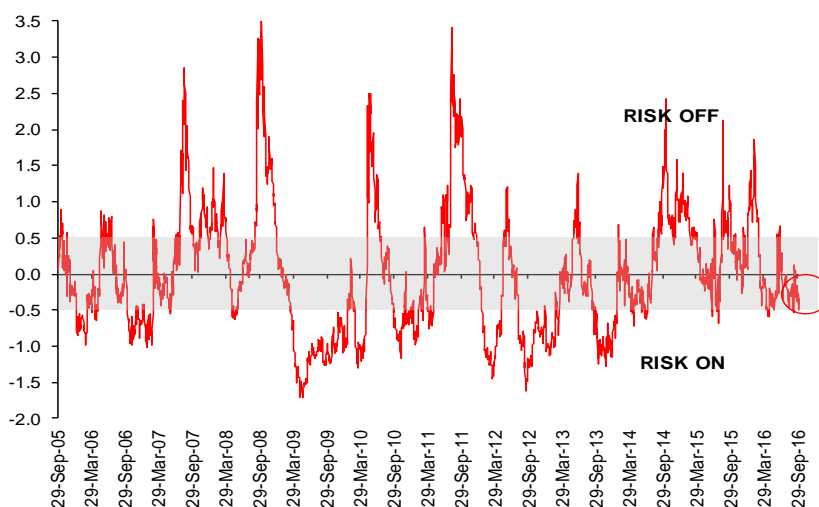


Source: OCBC Bank, Bloomberg

G7

- **EUR-USD** Our near term bias for the pair remains unaltered and it may continue to fade in the current USD context (as opposed to discretionary EZ factors). With the 200-day MA (1.1171) now serving as a near term resistance, the EUR-USD may instead attempt to seek out the 1.1100 floor.
- **USD-JPY** As noted yesterday, USD-JPY remains relatively more responsive to dollar-induced volatility with the pair likely to attempt to stay north within 102.00-104.00 ahead of the FOMC minutes this week. Beyond this topside, next resistance is expected at 104.30 before 104.70, especially if markets continue to digest the somewhat hawkish comments from the Fed's Evans this morning in Asia.
- **AUD-USD** Despite robust support from the commodity complex (copper, crude), the antipodeans may continue to defer to the dollar in the near term. Downside waypoints at this juncture are expected at 0.7550 and the 100-day MA (0.7527).
- **GBP-USD** Pound vulnerability may continue to be exacerbated by widespread USD support in the near term and the inherent bias for GBP-USD may be to remain skewed to the downside. To this end, short-end implied skews have also been increasingly taking a heavier view on the pair.

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

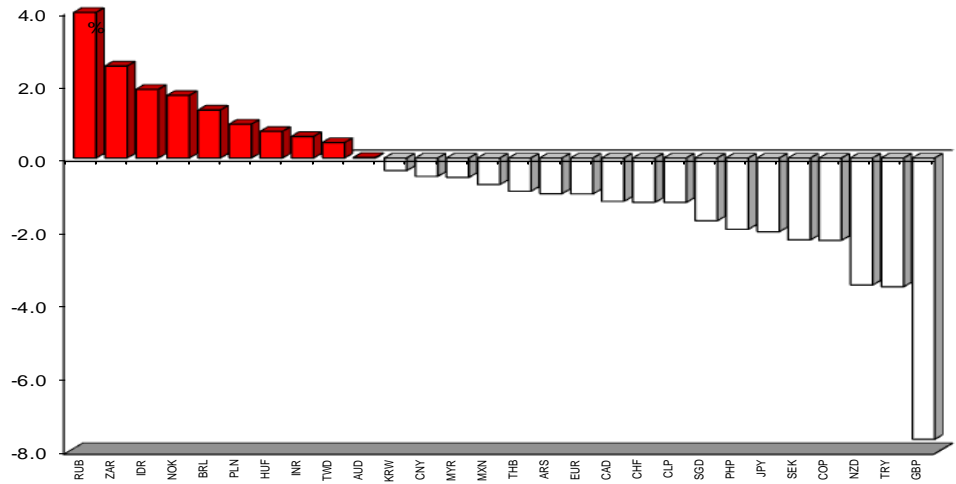
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1104	1.1124	1.1126	1.1170	1.1200
GBP-USD	1.1841	1.2300	1.2314	1.2355	1.2400
AUD-USD	0.7475	0.7500	0.7567	0.7600	0.7606
NZD-USD	0.7000	0.7095	0.7097	0.7100	0.7108
USD-CAD	1.3061	1.3100	1.3180	1.3200	1.3203
USD-JPY	101.78	103.00	103.94	104.00	104.29
USD-SGD	1.3700	1.3771	1.3785	1.3786	1.3800
EUR-SGD	1.5287	1.5300	1.5338	1.5399	1.5400
JPY-SGD	1.3182	1.3200	1.3262	1.3300	1.3321
GBP-SGD	1.6093	1.6900	1.6975	1.6989	1.7000
AUD-SGD	1.0310	1.0400	1.0432	1.0500	1.0510
Gold	1240.73	1249.50	1258.90	1260.02	1300.00
Silver	17.20	17.60	17.70	17.70	19.23
Crude	46.34	51.20	51.27	51.30	51.60

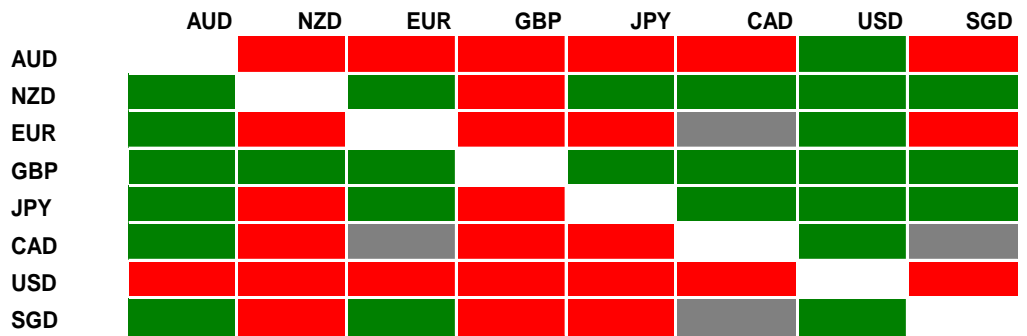
Source: OCBC Bank

FX performance: 1-month change agst USD



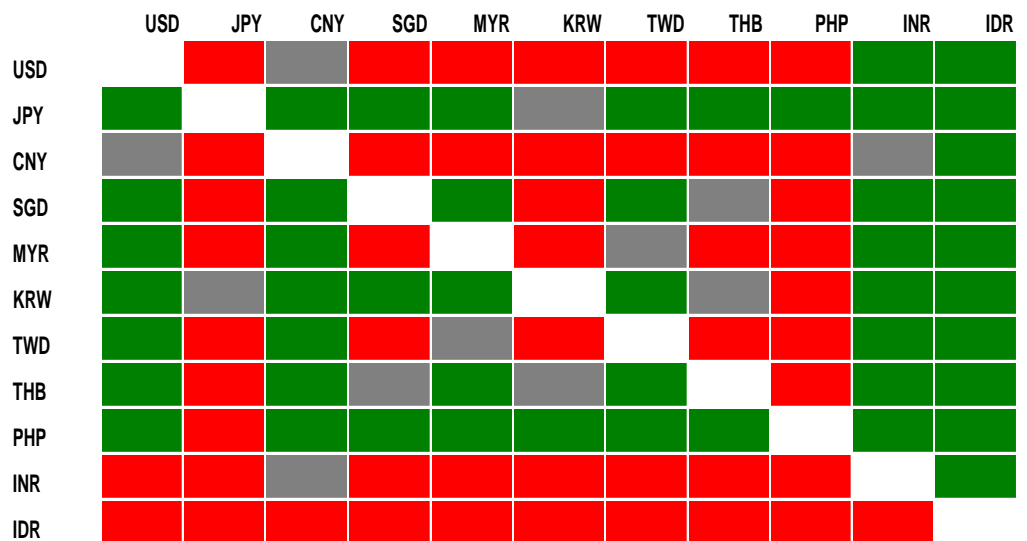
Source: Bloomberg

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	
TACTICAL								
1	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
2	05-Oct-16	S	EUR-USD	1.1222	1.1025	1.1325	Fade ECB-taper talk, potential US resilience	
3	06-Oct-16	B	USD-JPY	103.48	106.95	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	
4	07-Oct-16	B	USD-CAD	1.3256	1.3535	1.3115	Correlation breakdown between CAD and crude, USD support	
STRUCTURAL								
5	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
6	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
7	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
8	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
2	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
3	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.36
4	25-Aug-16	29-Sep-16	B	GBP-USD	1.3210	1.3040	Moderating short term pessimism	-1.32
5	29-Sep-16	04-Oct-16	S	USD-JPY	101.65	101.77	Skepticism towards Fed/BOJ	-0.14
6	29-Sep-16	06-Oct-16	B	AUD-USD	0.7685	0.7575	Position for sustained positive risk appetite	-1.44
7	04-Oct-16	07-Oct-16	S	GBP-USD	1.2814	1.2393	Article 50 jitters coupled with pre-NFP USD resilience	3.52
8	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
9	25-Aug-16	10-Oct-16	S	USD-CAD	1.2918	1.3230	Stabilizing global macro, potential traction for oil	-2.36
Jan-Sep 2016 Return								+8.27

Source: OCBC Bank

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