

**Friday, November 11, 2016**

### FX Themes/Strategy/Trading Ideas

- Except against the GBP, the USD pulled higher across G10 space on Thursday. On a darker note, the cyclicals (AUD, NZD, CAD) continued to underperform within G10 while the greenback bulldozed higher against EM/Asia. Thus, while the **FXSI (FX Sentiment Index)** slipped slightly within Risk-Neutral territory on Thursday, it belied the wider EM risk premiums (including firmer short-end EM FX vols).
- Into the end of the week, expect markets to remain polarized: Firstly, chatter surrounding the potentially inflationary impetus of the new US administration and the impact on the USD and the UST curve (which continued to bear steepen overnight). Secondly, and more insidiously, unease towards EM/Asia (also on the back of concerns surrounding the new US administration) is degenerating to a rout this morning in Asia and expect investors to remain skittish into the end of the week.

### Asian FX

- As we hazarded in the past few sessions, nervousness towards EM is mounting (albeit more rapidly than expected) with the USD pulling higher against EM/Asian currencies universally as EM risk premiums continued to push wider. Note that the SGD, MYR, IDR, PHP, KRW, are running significantly positive correlations with the JPY (on a 1-month rolling basis), and coupled with negative background EM negative chatter (note a potential reassessment of hitherto strong fixed income flows into Asia earlier this year now being challenged by firmer US yields), expect the **ACI (Asian Currency Index)** to continue to reach (spike) higher in the near term.
- **SGD NEER:** The SGD NEER is markedly lower at -1.04% below its perceived parity (1.3965) with a low of around -1.20% clocked in early Asia this morning. NEER-implied USD-SGD thresholds are significantly higher on the day but discretionary SGD vulnerability has pushed the NEER lower more than proportionately. At current levels, the -1.0% threshold is estimated at 1.4106 and -1.50% at 1.4178. On the upside (for the NEER), -0.50% comes in at 1.4035. With our 1.4100 extension target fulfilled, there may be potential head room towards the next extension target of 1.4194.

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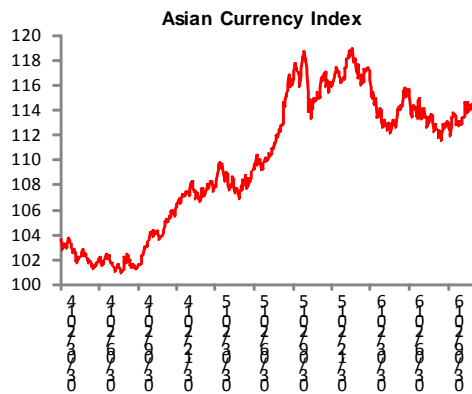
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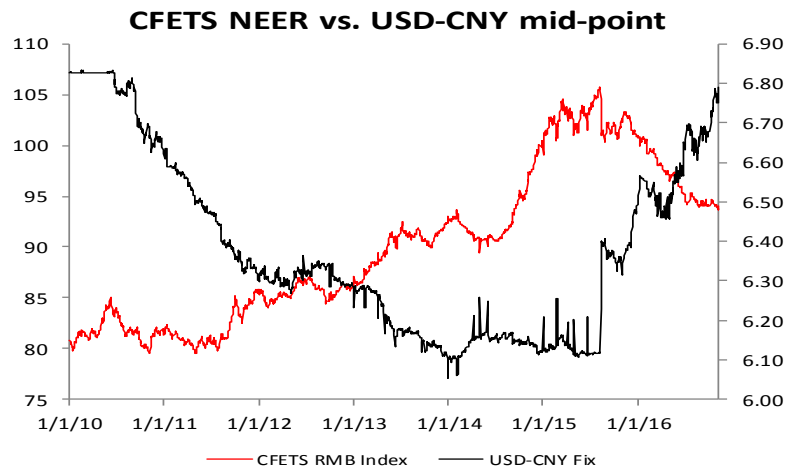
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	SGD NEER	% deviation	USD-SGD
Current	122.96	-1.05	1.4105
+2.00%	126.74		1.3697
Parity	124.26		1.3971
-2.00%	121.77		1.4256

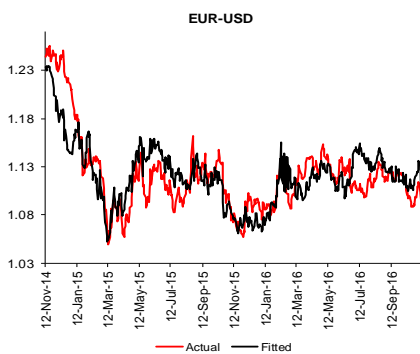
Source: OCBC Bank

- CFETS RMB Index:** This morning, the **CFETS RMB Index** rose to 94.33 from 94.11 yesterday despite the USD-CNY mid-point rising to 6.8115 compared to 6.7885 on Thursday. The behavior of the Index and the mid-points remain within historical parameters although the primary consideration from the official viewpoint is probably more centered on psychological levels on the spot (including CNH) in view of the evolving global market volatility.



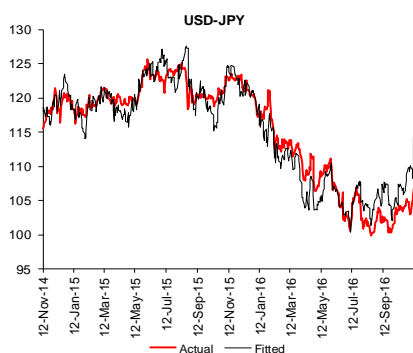
Source: OCBC Bank, Bloomberg

**G7**



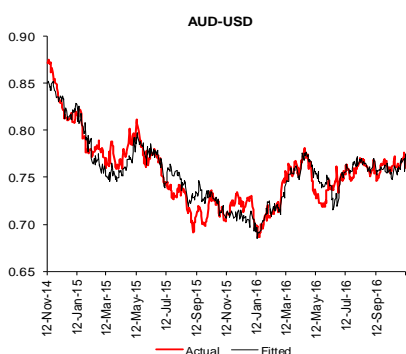
Source: OCBC Bank

- EUR-USD** Short-term implied valuations continue to slide for the EUR-USD and if 1.0900 is taken out, expect markets to test towards 1.0850 ahead of 1.0820.



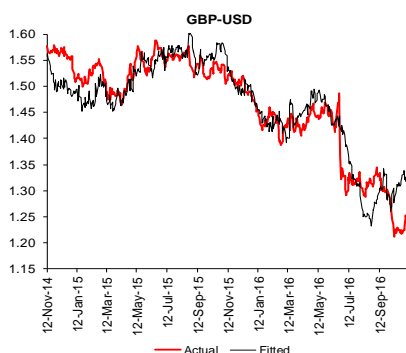
Source: OCBC Bank

- USD-JPY** Official Japanese jawboning is lighting up in view of the USD-JPY moves over the past two sessions but yield differential arguments are continuing to boost short-term valuations. Note that the 200-day MA (106.56) may prove pivotal, with a breach lighting the way to 107.50.



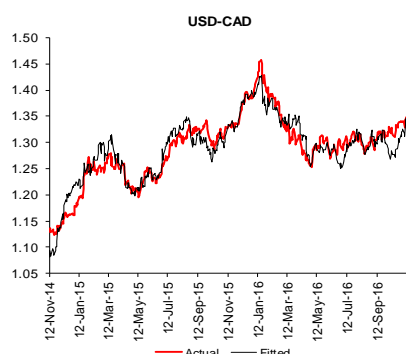
Source: OCBC Bank

- AUD-USD** Accumulating EM/Asia jitters are expected to put a damper on the AUD-USD and if 0.7585-0.7600 is punctured on a sustained basis, expect a slippery slope to the lower reached of 0.7500.



Source: OCBC Bank

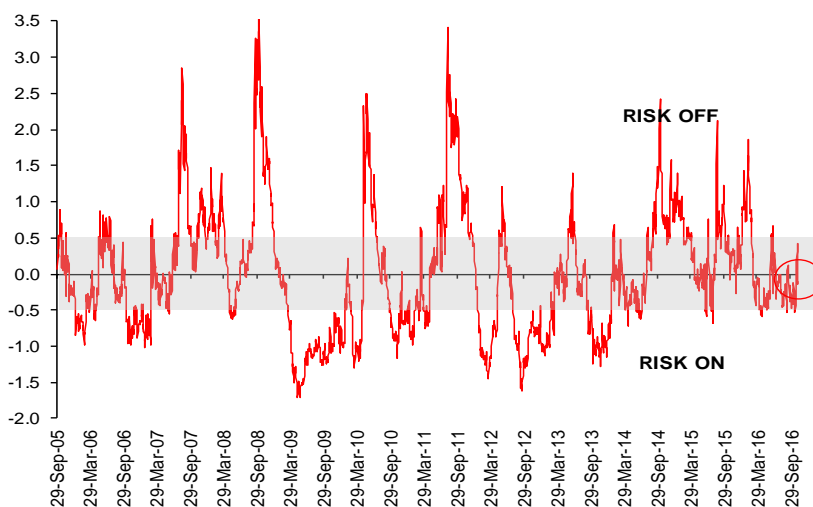
- GBP-USD** The blip higher in the GBP-USD on Thursday may prove short-lived given heightened investor nervousness and broad dollar resilience. Implied short-term valuations are also slipping. Overall, a risk of a relapse back towards 1.2455 cannot be discounted.



Source: OCBC Bank

- USD-CAD** Short-term implied valuations have also jumped for the USD-CAD and as noted yesterday, implicit headroom for the pair remains apparent. Meanwhile, the technical set up for the pair remains bullish if it continues to sustain above 1.3455.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.409	0.547	0.767	0.448	0.430	0.689	0.251	-0.841	-0.747	0.487	-0.965
CHF	0.768	-0.094	-0.075	0.689	0.767	0.827	0.244	0.769	-0.906	-0.634	-0.146	-0.831
SGD	0.733	0.859	0.733	0.643	-0.088	-0.089	0.870	-0.281	-0.501	-0.324	0.763	-0.688
JPY	0.689	0.877	0.736	0.678	-0.176	-0.180	1.000	-0.343	-0.371	-0.199	0.779	-0.593
CNY	0.547	0.743	1.000	0.244	-0.357	-0.447	0.736	-0.608	-0.055	-0.342	0.961	-0.419
CNH	0.487	0.841	0.961	0.282	-0.533	-0.546	0.779	-0.676	-0.021	-0.209	1.000	-0.377
USGG10	0.409	1.000	0.743	0.387	-0.588	-0.538	0.877	-0.620	-0.034	0.143	0.841	-0.333
TWD	0.362	0.021	-0.158	0.220	0.526	0.706	0.172	0.501	-0.446	-0.026	-0.189	-0.374
CAD	0.263	0.627	0.795	-0.165	-0.527	-0.623	0.495	-0.727	0.265	0.027	0.786	-0.081
IDR	0.236	0.726	0.524	0.035	-0.830	-0.732	0.597	-0.472	0.370	0.475	0.565	-0.184
MYR	0.236	0.833	0.472	0.311	-0.556	-0.452	0.710	-0.471	0.082	0.448	0.564	-0.192
KRW	0.169	0.782	0.716	-0.217	-0.775	-0.634	0.590	-0.738	0.378	0.375	0.772	-0.025
PHP	0.149	0.734	0.497	0.106	-0.613	-0.552	0.697	-0.612	0.270	0.382	0.612	-0.021
THB	0.128	0.209	-0.279	0.233	0.138	0.199	0.285	0.197	-0.162	0.343	-0.185	-0.125
CCN12M	0.111	0.565	0.201	-0.007	-0.216	-0.132	0.470	-0.289	0.104	0.617	0.266	-0.047
INR	0.110	-0.668	-0.376	-0.169	0.614	0.605	-0.405	0.602	-0.186	-0.216	-0.535	-0.100
GBP	-0.181	0.655	0.494	-0.136	-0.720	-0.834	0.348	-0.803	0.497	0.360	0.586	0.192
NZD	-0.429	0.213	0.377	-0.322	-0.663	-0.777	-0.044	-0.743	0.593	0.145	0.411	0.441
AUD	-0.430	-0.142	0.087	-0.200	-0.282	-0.434	-0.243	-0.349	0.403	-0.047	0.072	0.381
EUR	-0.965	-0.333	-0.419	-0.833	-0.523	-0.517	-0.593	-0.376	0.922	0.784	-0.377	1.000

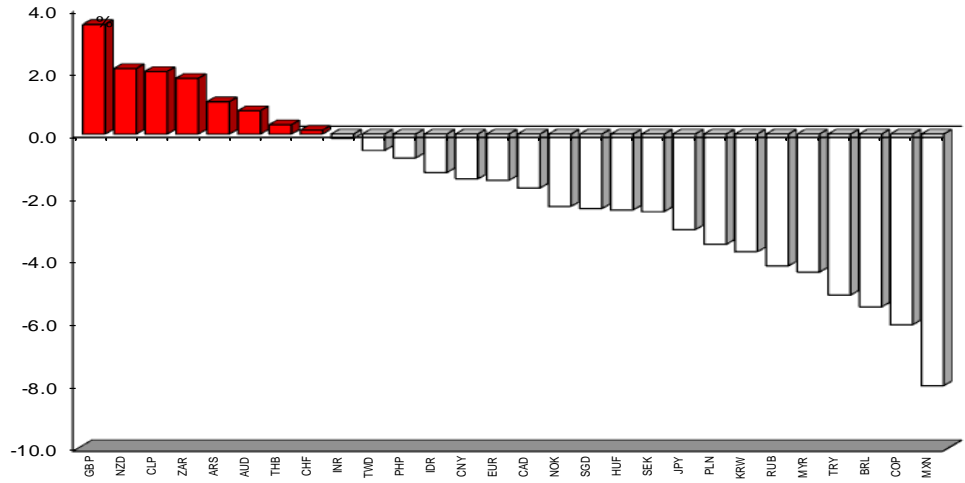
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0851	1.0900	1.0908	1.1000	1.1098
GBP-USD	1.2059	1.2500	1.2561	1.2563	1.2600
AUD-USD	0.7507	0.7548	0.7578	0.7600	0.7613
NZD-USD	0.7057	0.7200	0.7206	0.7236	0.7300
USD-CAD	1.3212	1.3400	1.3496	1.3500	1.3525
USD-JPY	103.09	106.00	106.39	106.42	106.55
USD-SGD	1.4070	1.4100	1.4122	1.4159	1.4200
EUR-SGD	1.5254	1.5400	1.5405	1.5436	1.5500
JPY-SGD	1.3178	1.3200	1.3274	1.3300	1.3335
GBP-SGD	1.7594	1.7700	1.7739	1.7758	1.7800
AUD-SGD	1.0518	1.0700	1.0701	1.0751	1.0800
Gold	1246.17	1250.40	1261.60	1281.66	1293.67
Silver	18.49	18.60	18.63	18.70	18.85
Crude	43.07	44.40	44.48	44.50	46.52

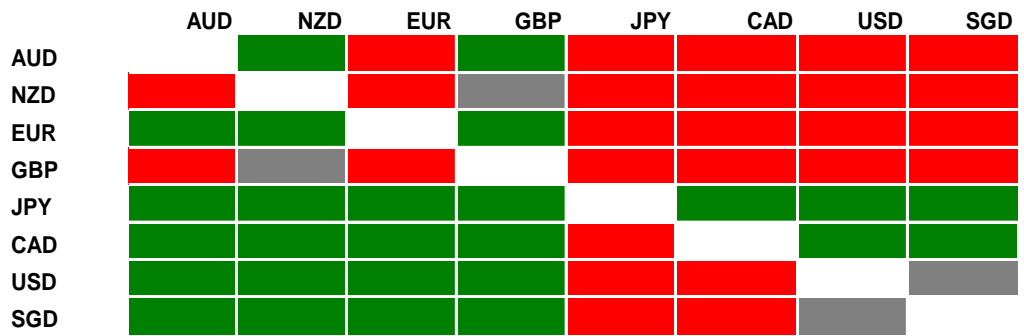
Source: OCBC Bank

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



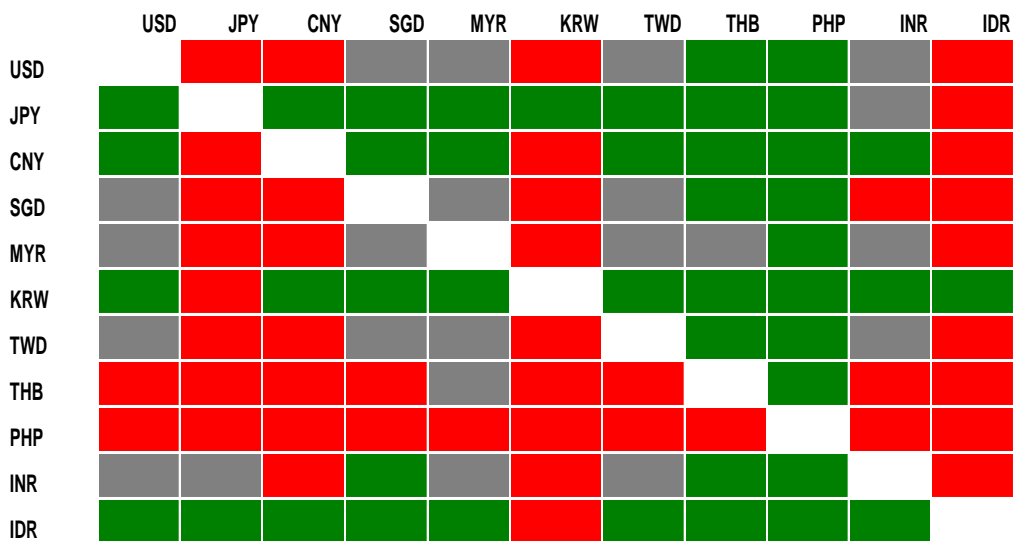
Source: Bloomberg

**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	26-Oct-16	B	USD-CAD	1.3356	1.3635 1.3210	Softening crude, dovish BOC, potential USD strength		
<b>STRUCTURAL</b>								
2	07-Mar-16	B	AUD-USD	0.7412	0.7955 0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations		
3	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	07-Oct-16	19-Oct-16	B	USD-CAD	1.3256	1.3104	Correlation breakdown between CAD and crude, USD support	-1.15
2	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
3	12-Oct-16	19-Oct-16	S	AUD-USD	0.7585	0.7690	"Yield" may be subjugated by dollar	-1.38
4	18-Feb-16	24-Oct-16	B	EUR-USD	1.1137	1.0880	Growing suspicion that the Fed will hesitate	-3.14
5	27-Oct-16	28-Oct-16	B	AUD-USD	0.7618	0.7587	Supportive risk appetite, metals, positioning, and positioning	-0.38
6	05-Oct-16	03-Nov-16	S	EUR-USD	1.1222	1.1125	Fade ECB-taper talk, potential US resilience	+1.00
7	12-Oct-16	04-Nov-16	S	GBP-USD	1.2271	1.2464	Fade GBP-USD upticks	-1.50
8	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
9	08-Nov-16	09-Nov-16	B	AUD-USD	0.7708	0.7610	Accumulating risk appetite despite USD resilience	-1.29
10	06-Oct-16	09-Nov-16	B	USD-JPY	103.48	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	-1.60
							<b>Jan-Oct 2016 Return</b>	<b>+3.91</b>

Source: OCBC Bank

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