

Tuesday, September 13, 2016

FX Themes/Strategy/Trading Ideas – Less compelling

- With the Fed's Brainard (dove, voter) remaining true to form and not displaying any undue hawkish shifts on Monday, the dollar may continue to remain vulnerable in the near term, perhaps all the way into the FOMC next week. Meanwhile the Fed's Kashkari had also remained sufficiently dovish on Monday, overshadowing balanced remarks from the Fed's Lockhart. Overall, the market's verdict seems to be a divided (and likely static) Fed going into next week's FOMC, with the UST yields sagging (especially the 5Y) and FF futures gaining.
- Beyond the short term however, USD resilience on the back of FOMC-related expectations have been in no way completely doused. We continue to be of the view that Fed speak in recent weeks has resulted in an intended re-alignment of market based expectations towards a 'debate' as opposed to a 'write-off'.
- Elsewhere, the **FXSI (FX Sentiment Index)** remained largely static within Risk-Neutral territory on Monday after retracing back up from Risk-On territory last Friday. Markets will have no further Fed rhetoric to mull upon from hereon ahead of the 21-22 Sep FOMC and investors may look elsewhere for inspiration.
- For today, data points include German Aug CPI and Sep ZEW, while UK Aug CPI is also on tap. In Asia, the China data stream today (0200 GMT) includes Aug industrial production, retail sales, urban fixed asset investments while monetary aggregates are expected in the latter part of the week.

Asian FX

- With Asian equities taking the lead from NY overnight and the broad dollar under pressure, the **Asian Currency Index (ACI)** is expected to consolidate after its gains in recent sessions.
- With the dollar retreating broadly on Monday, the **SGD NEER** is again lower at around +0.31% above its perceived parity (1.3591) although we note that NEER-implied USD-SGD thresholds are still firmer relative to late last week. In the near term, the NEER may still be expected to travel within parity and +0.50%1.3524. Meanwhile, if the 100-day MA (1.3552) is violated, the 55-day MA (1.3501) is expected to provide the next technical support, with 1.3600 expected to cap for now.

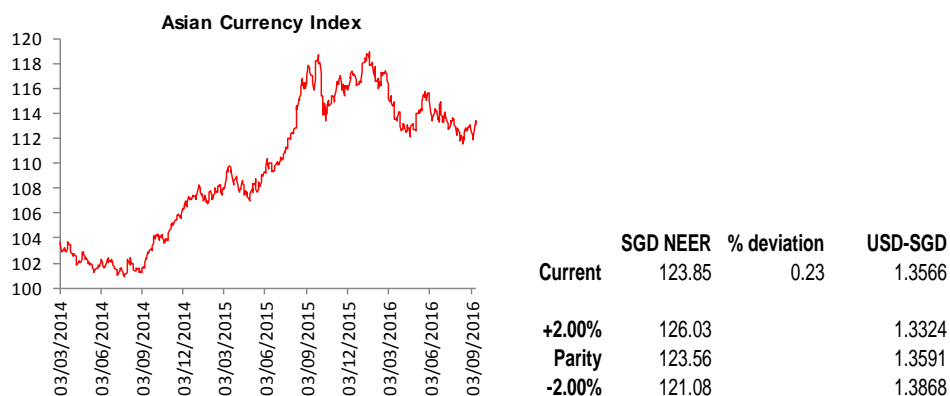
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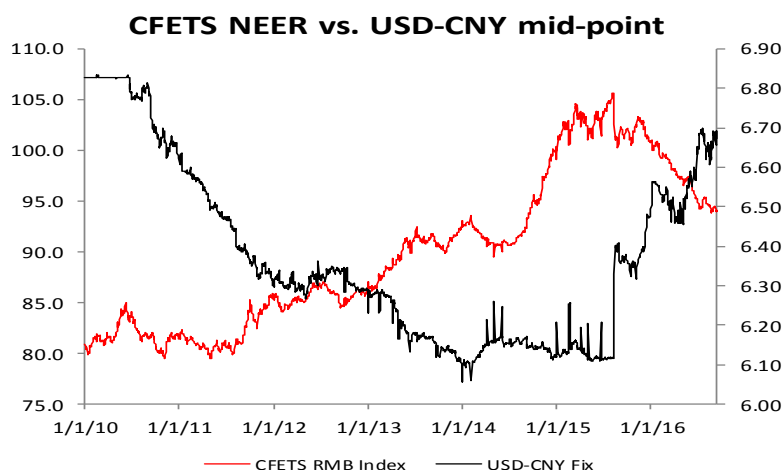
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Source: OCBC Bank

- The **CFETS RMB Index** firmed slightly to 94.15 on Tuesday from 94.02 on Monday with the Index still refraining from retesting below the 94.00 handle. The USD-CNY mid-point meanwhile reacted lower (as largely expected) to 6.6726 from 6.6908 on Monday. We note however that CNH forward points remain relatively elevated despite some nascent signs of stabilization in the Index.



Source: OCBC Bank, Bloomberg

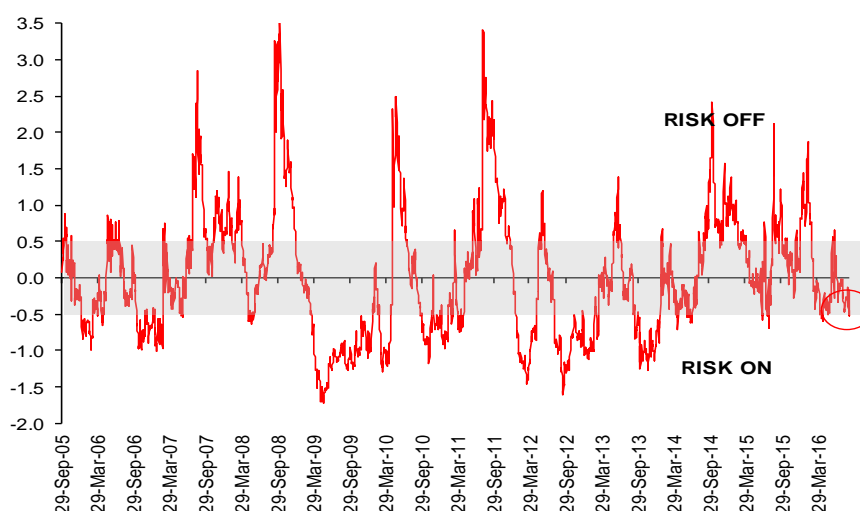
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- EUR-USD** EUR-USD may continue to straddle the 100-day MA (1.1210) in the interim and as recent dollar resilience takes a hiatus with the floor at 1.1200 seen intact in the near term ahead of the German data points later in the global day. We would be cautious towards being excessively bearish on the pair despite Brainard's comments.
- USD-JPY** With the greenback hesitating for now, any break of a minor support at 101.40 may threaten the 101.00 floor, with the USD-JPY still seen relatively more responsive to dollar cues in the current environment. Meanwhile, the 55-day MA (102.64) is expected to serve as a good resistance at this juncture.
- AUD-USD** With risk appetite levels still relatively restrained and despite

near term USD softness, the AUD-USD may remain cloistered by its 55-day MA (0.7577) and its 100-day MA (0.7484). Latest remarks from the RBA's Kent indicate a recognition that the AUD's path also remains a function of external central banks (e.g. Fed), impressing little significant downward pressure on the Aussie.

- GBP-USD** The pound may attempt to rely on the lack of apparent and undue deterioration of monthly economic indicators to garner traction against the near term vulnerability of the USD. The 55-day MA (1.3166) continues to remain a good support in the near term, and risks may remain skewed towards 1.3420.

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

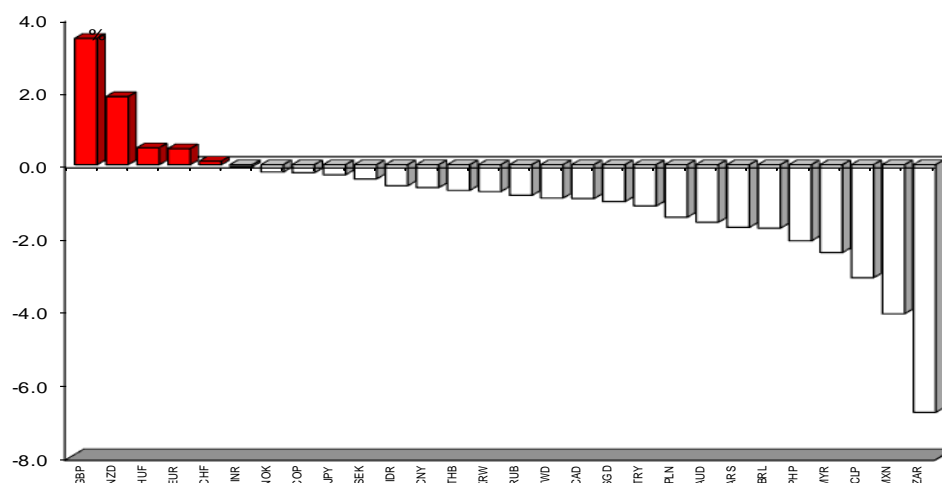
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1153	1.1200	1.1234	1.1300	1.1361
GBP-USD	1.3155	1.3300	1.3326	1.3400	1.3428
AUD-USD	0.7491	0.7500	0.7553	0.7584	0.7600
NZD-USD	0.7209	0.7300	0.7342	0.7400	0.7423
USD-CAD	1.3000	1.3016	1.3050	1.3100	1.3144
USD-JPY	99.54	101.00	101.55	102.00	102.64
USD-SGD	1.3493	1.3500	1.3566	1.3600	1.3630
EUR-SGD	1.5109	1.5200	1.5241	1.5296	1.5300
JPY-SGD	1.3154	1.3300	1.3360	1.3400	1.3517
GBP-SGD	1.7751	1.8000	1.8078	1.8100	1.8155
AUD-SGD	1.0213	1.0233	1.0246	1.0300	1.0340
Gold	1302.10	1305.27	1329.10	1337.68	1357.99
Silver	18.37	18.90	18.95	19.00	19.69
Crude	45.30	45.90	45.91	46.00	49.11

Source: OCBC Bank

FX performance: 1-month change agst USD



Source: Bloomberg

G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
AUD		Green	Green	Green	Red	Green	Green	Green
NZD	Red		Red	Green	Red	Red	Red	Red
EUR	Red	Green		Green	Red	Grey	Red	Red
GBP	Red	Red	Red		Red	Red	Red	Red
JPY	Green	Green	Green	Green		Green	Green	Green
CAD	Red	Green	Grey	Green	Red		Grey	Red
USD	Red	Green	Green	Green	Red	Grey		Red
SGD	Red	Green	Green	Green	Red	Green	Green	

Source: OCBC Bank

Asia FX Heat Map

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		Red	Red	Red	Red	Red	Red	Red	Red	Green	Red
JPY	Green		Green	Green	Green	Green	Green	Green	Green	Green	Green
CNY	Green	Red		Red	Red	Red	Red	Red	Red	Green	Red
SGD	Green	Red	Green		Red	Grey	Grey	Grey	Grey	Green	Green
MYR	Green	Red	Green	Green		Green	Green	Green	Green	Green	Green
KRW	Green	Red	Green	Grey	Red		Grey	Red	Red	Green	Green
TWD	Green	Red	Green	Grey	Red	Grey		Red	Red	Green	Green
THB	Green	Red	Green	Grey	Red	Green	Green		Grey	Green	Green
PHP	Green	Red	Green	Grey	Red	Green	Green	Grey		Green	Green
INR	Red	Red	Red	Red	Red	Red	Red	Red	Red		Red
IDR	Green	Red	Green	Red	Red	Red	Red	Red	Red	Green	

Source: OCBC Bank

FX Trade Ideas

FX Trade Rules								
	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
	TACTICAL							
1	04-Aug-16	B	EUR-USD	1.1149	1.1460	1.0990	Static Fed vs. ECB	
2	25-Aug-16	B	GBP-USD	1.3210	1.4055	1.2785	Moderating short term pessimism	
3	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
4	01-Sep-16	B	USD-JPY	103.33	108.15	100.90	Ahead of NFP numbers and BOJ MPC	
	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	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
8	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to wiegh on the pair, esp if Fed hesitates	
9	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
10	25-Aug-16	S	USD-CAD	1.2918	1.1960	1.3400	Stabilizing global macro, potential traction for oil	
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	28-Jun-16	15-Aug-16	B	USD-CAD	1.2991	1.2805	Concerns over the global deflationary impact from Brexit	-0.23
2	05-Aug-16	23-Aug-16	S	USD-SGD	1.3409	1.3498	Flight to yield/EM vs. weak dollar	-0.66
3	08-Aug-16	25-Aug-16	B	AUD-USD	0.7611	0.7610	Opportunity for a tactical long on assumption of transient USD	0.01
4	18-Aug-16	26-Aug-16	S	USD-CAD	1.2813	1.2985	Recovering oil vs fading FOMC prospects	-1.33
5	11-Aug-16	30-Aug-16	S	USD-JPY	101.22	101.96	Fading dollar coupled with potential risk aversion	-0.80
6	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclical, search for yield	8.37
	Jan-Aug 2016 Return							+7.80

Source: OCBC Bank

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