

Tuesday, June 14, 2016

**FX Themes/Strategy/Trading Ideas**

- For today, risk appetite considerations may continue flex intra-day with the **JPY** seen outperforming across the board if investors remain nervous towards the FOMC and Brexit. While we maintain a healthy level of skepticism towards the greenback ahead of the FOMC mid-week, risk aversion concerns may relegate somewhat the impact of economic data points in the near term and cloud price action.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** jumped significantly within Risk-Neutral territory on Monday as cross-asset risk premiums continued to widen. On this front, recent investor nervousness has already manifested via wider EM risk premiums, firmer short-end FX vols, implied dollar demand (basis-swaps), flight to sovereign bonds, and even the VIX. Short-end EM FX vols meanwhile continue to lag their G7 counterparts, providing a buffer for EM/Asian currencies barring a broad based deterioration of global risk appetite levels.

**Asian FX**

- The **Asian Currency Index (ACI)** may remain slightly heavy for as long as investor jitters do not spillover excessively into EM/Asian space. In our view (soft) dollar dynamics may impart a stronger influence at this juncture, although this is expected to unravel rapidly if the flight from risk assets materializes abruptly.
- The **SGD NEER** is hovering around +0.67% above its perceived parity (1.3647) this morning with the +1.00% USD-SGD threshold estimated at around 1.3512. This should serve as a natural floor intra-day with background investor jitters also likely to cushion on dips. On the top side, the 55-day MA (1.3598) may cap barring a further deterioration of risk appetite levels. Meanwhile, our volatility indicators for the SGD NEER and USD-SGD have moderated slightly from recent elevated levels.

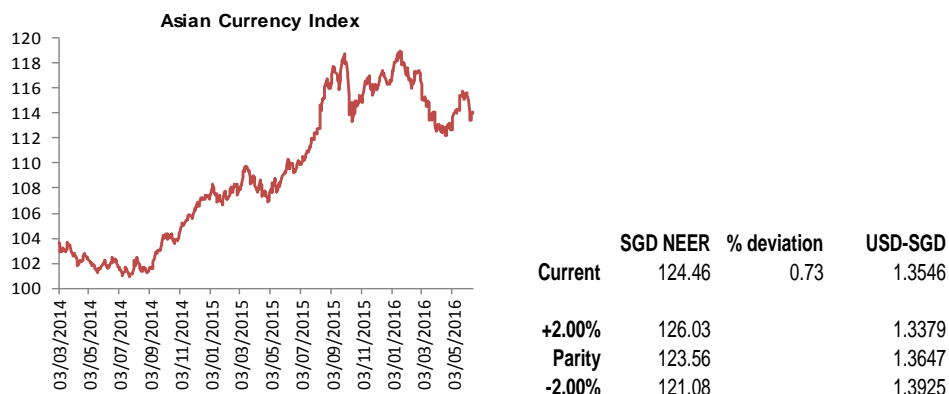
Corporate FX &  
Structured Products  
Tel: 6349-1888 / 1881  
Fixed Income &  
Structured Products  
Tel: 6349-1810

Investments &  
Structured Product  
Tel: 6349-1886

Interest Rate Derivatives  
Tel: 6349-1899

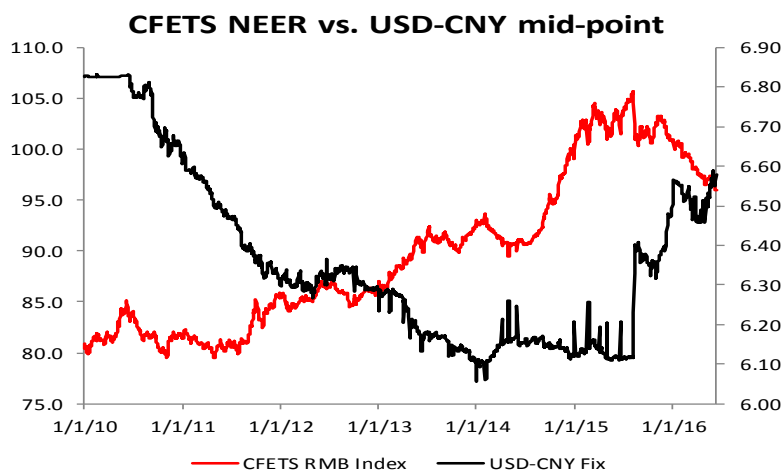
Treasury Research &  
Strategy  
Tel: 6530-4887

**Emmanuel Ng**  
+65 6530 4073  
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)



Source: OCBC Bank

- This morning, the PBOC finally priced the **CFETS RMB Index** at sub-96.00 levels (as we hazarded last week) at 95.96 with the USD-CNY mid-point easing slightly to 6.5791 from 6.5805 on Monday. As mooted previously, implicit downside pressure for the Index remains in play and 95.00 continues to be on the cards.



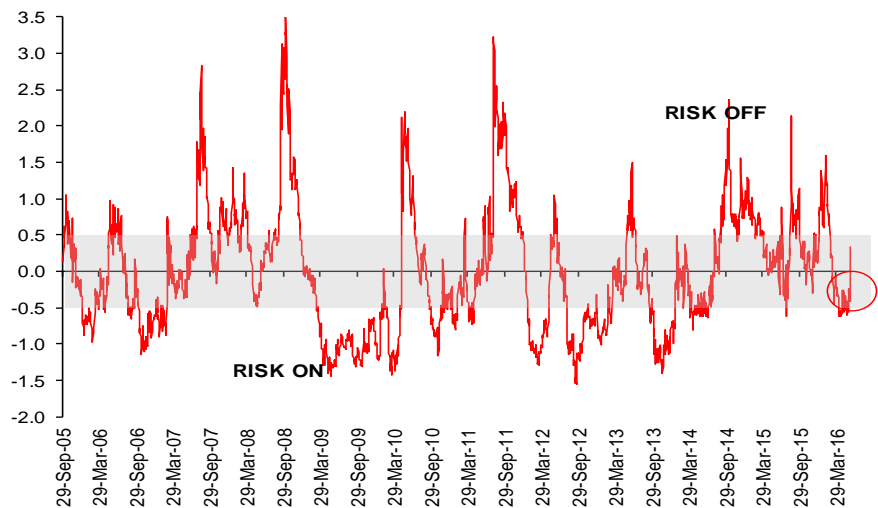
Source: OCBC Bank, Bloomberg

**G7**

- **EUR-USD** The EUR-USD is expected to remain conflicted between broad USD vulnerability and the fast approaching UK referendum next week. The ECB's Mersch is expected at 1600 GMT while the pair may remain supported within recent ranges. Look for support into the 100-day MA (1.1218) while the 55-day MA (1.1316) may offer initial resistance on upticks. On other fronts, with risk aversion lurking, we look for the EUR-CHF and the EUR-JPY to remain tilted south.
- **USD-JPY** USD-JPY may be expected to remain weighed by the heavy JPY-crosses in the current environment and despite dovish expectations being attached to the BOJ MPC this week. If 106.00 is breached on a sustained basis, a test towards 105.47 ahead of 105.00 is expected.

- AUD-USD** Despite our Heat Map continuing to demonstrate antipodean resilience, any potential further aggravation of negative risk appetite in the coming sessions should result in the AUD-USD continuing to fade. A failure to retain the 100-day MA (0.7393) risks a test towards the 200-day MA (0.7271). However, we note that a bearish outcome from the FOMC this week may steer the AUD-USD back towards its 55-day MA (0.7469) instead – collect on dips pending risk appetite developments.
- GBP-USD** With referendum-related and headline-induced uncertainty mounting by the day, the path of least resistance for cable may remain oriented towards the downside in the near term. If the floor at 1.4200 is breached, 1.4050 is expected to attract.

**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

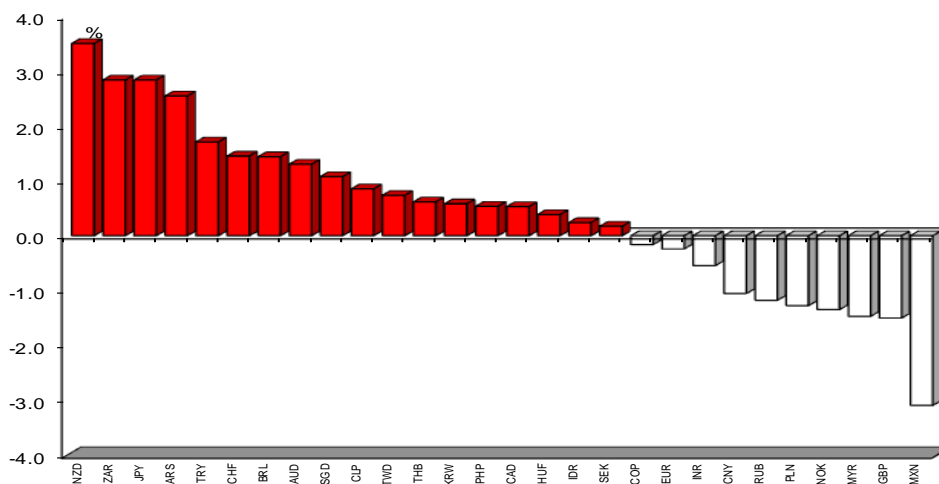
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1200	1.1294	1.1300	1.1309
GBP-USD	1.4100	1.4116	1.4182	1.4200	1.4223
AUD-USD	0.7268	0.7300	0.7382	0.7400	0.7450
NZD-USD	0.6860	0.7000	0.7025	0.7100	0.7122
USD-CAD	1.2664	1.2800	1.2818	1.2865	1.2900
USD-JPY	105.74	106.00	106.01	107.00	108.77
USD-SGD	1.3449	1.3500	1.3547	1.3598	1.3600
EUR-SGD	1.5250	1.5270	1.5300	1.5376	1.5455
JPY-SGD	1.2700	1.2772	1.2779	1.2800	1.2847
GBP-SGD	1.9183	1.9200	1.9213	1.9300	1.9619
AUD-SGD	0.9881	1.0000	1.0001	1.0070	1.0100
Gold	1200.00	1252.84	1282.10	1295.99	1300.00
Silver	16.70	17.30	17.35	17.40	17.60
Crude	47.33	48.30	48.36	48.40	50.82

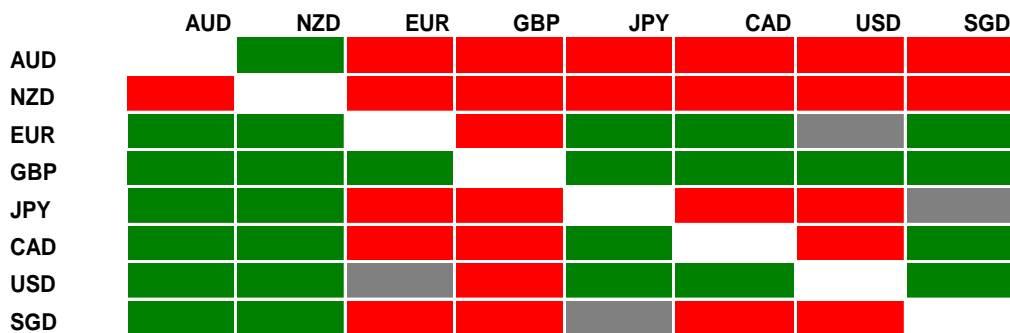
Source: OCBC Bank

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



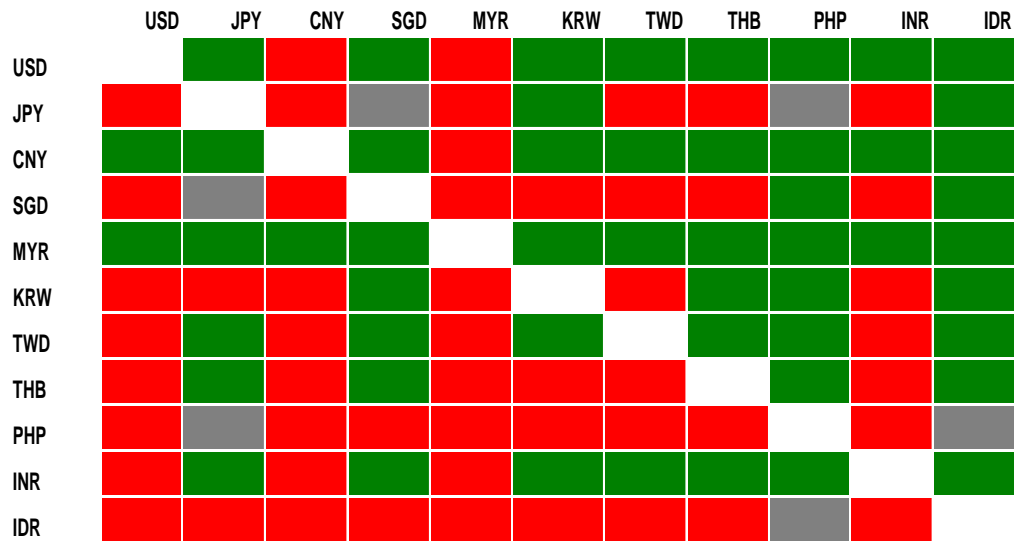
Source: Bloomberg

**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	10-Jun-16		S	USD-JPY	107.1600	103.85	108.85	Potential for USD weakness going into and post-FOMC	
2	10-Jun-16		S	USD-SGD	1.3546	1.3300	1.3670	SGD remains reactive to potential USD vulnerability	
<b>STRUCTURAL</b>									
3	18-Feb-16		B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
4	01-Mar-16		S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
5	07-Mar-16		B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
6	12-Apr-16		S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
7	12-Apr-16		B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclical, search for yield	
<b>RECENTLY CLOSED</b>									
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	18-May-16	03-Jun-16	B	GBP-USD	1.4438	1.4414	Potential for bounce post-referendum	-0.17	
2	19-May-16	03-Jun-16	S	EUR-USD	1.1224	1.1370	Policy dichotomy play, especially after FOMC minutes	-1.24	
3	19-May-16	03-Jun-16	B	USD-JPY	110.01	108.25	Policy dichotomy play, especially after FOMC minutes	-1.59	
4	09-May-16	08-Jun-16	B	USD-SGD	1.3623	1.3520	Potential for USD strength ahead of Fed-speak	-0.83	
5	09-May-16	07-Jun-16	B	USD-CAD	1.2929	1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53	
6	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626	0.7490	Negativity post 1Q CPI numbers	1.64	

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.

---