

Wednesday, June 15, 2016

FX Themes/Strategy/Trading Ideas

- Brexit-themed risk aversion may continue to grant the USD, JPY and the CHF the upper hand ahead of the FOMC decision tonight (1800 GMT) and the BOJ decision on Thursday. On the Asian front, look also towards the release of May monetary aggregates today.
- Elsewhere, global risk appetite levels may remain uneasy with the bund curve softened (10y went negative) further and amid a soggy commodity complex. We note that market caution has heightened significantly in anticipation of the near term headline risks with the **FXSI (FX Sentiment Index)** having traversed significant real estate fairly rapidly in the past few sessions (especially yesterday) and has spilled into Risk-Off territory.
- Despite already loaded market positioning, we think referendum concerns are only expected to mount in the coming sessions. As such, we undertake a tactical short **GBP-USD** idea. With a GBP-USD spot ref at 1.4153, we target 1.3785 and place a stop at 1.4340.
- Beyond the uncertainty concentrated around the UK's EU referendum, we continue to ascribe a fairly high degree of skepticism towards expected USD strength in the coming months, especially with the Fed not expected to turn on a dime and flip to an excessively hawkish stance. We therefore look to a structural bearish **USD-SGD** profile during the summer. With a spot ref at 1.3542, we target 1.2815 and place a stop at 1.3910.

Asian FX

- Dollar resilience on the back of investor jitters may continue to persist intra-day with the **Asian Currency Index (ACI)** expected to find good support on dips. Meanwhile, the SGD's relative performance in recent sessions has been attributed to safe haven flows although we would expect such flows to evaporate if risk aversion becomes acute across EM in the coming sessions.
- The **SGD NEER** has continued to grind higher relative to its perceived parity (1.3686) at +0.93% this morning from +0.67% yesterday. This has been on the back of a fairly static USD-SGD in spite of higher NEER-implied USD-SGD thresholds overnight. At current levels, the +1.00% threshold is estimated to correspond to 1.3550 and this may serve as a soft line in the sand for the pair although potential to bleed towards 1.3520/30 cannot be ruled out. Event risks remain elevated with 55-day MA (1.3599) expected to provide initial resistance. On a related note, volatility indicators remain largely within manageable limits and any potential official discomfort towards the

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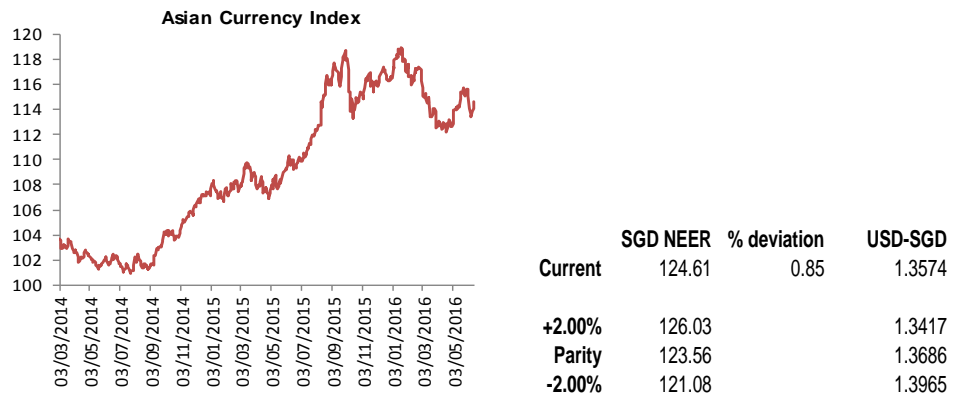
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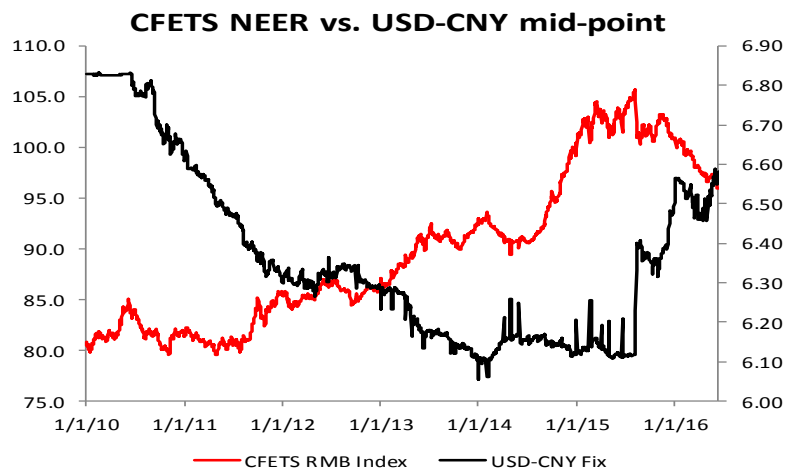
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SGD may begin to stem from valuation concerns instead.



Source: OCBC Bank

- The **CFETS RMB Index** fell slightly to 95.88 (as opposed to an estimated firming) from 95.96 this morning, pulling the USD-CNY mid-point higher to 6.6001 from 6.5791 yesterday. Given the nervous risk environment, the firming mid-point is also expected to lend support to the Asian currency pairs intra-day.



Source: OCBC Bank, Bloomberg

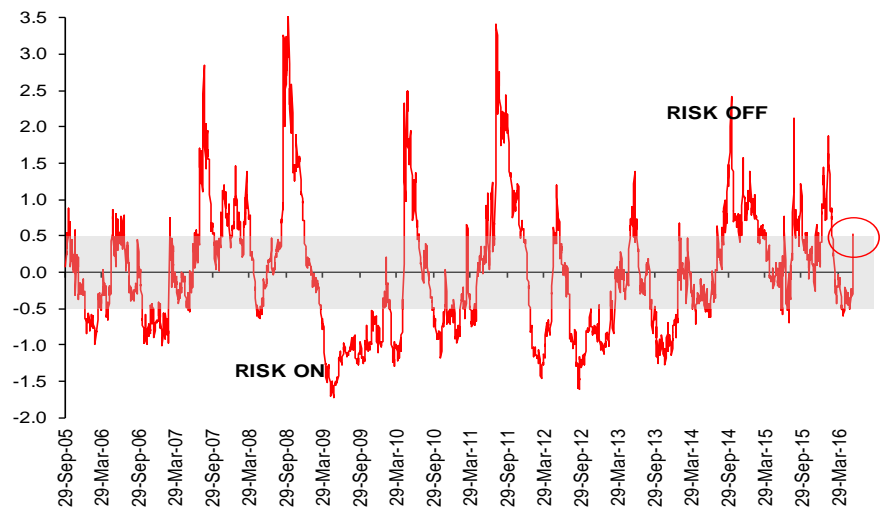
G7

- **EUR-USD** The EUR-USD may toy around with the 1.1200 region pending further news flow from the FOMC meeting but the net impact may continue to be clouded by Brexit concerns. The 55-day MA (1.1312) may continue to cap with good support expected on dips towards the 200-day MA (1.1100) in the interim. As noted yesterday, we continue to expect implicit heaviness for the EUR-JPY and EUR-CHF.
- **USD-JPY** USD-JPY may continue to ride the rails down and attempt a sustained breach of 106.00 if investor appetite curdles further. In this scenario, a first stop is expected around 105.30/50.
- **AUD-USD** China monetary aggregates today may potentially impart

some influence on the AUD-USD intra-day although an increasingly jittery market may see the pair gravitate towards its 200-day MA (0.7273). Meanwhile, 0.7400 may continue to cap on the topside.

- GBP-USD** With recent polls indicating a shift towards the “leave” camp, the GBP sank further across the board on Tuesday although we continue to expect further headline-induced whipsaws in the coming sessions. Overall, the path of least resistance for cable may remain oriented towards the downside in the near term. Look for a descent to 1.4050 ahead of 1.4000 if 1.4100 is violated with conviction today.

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

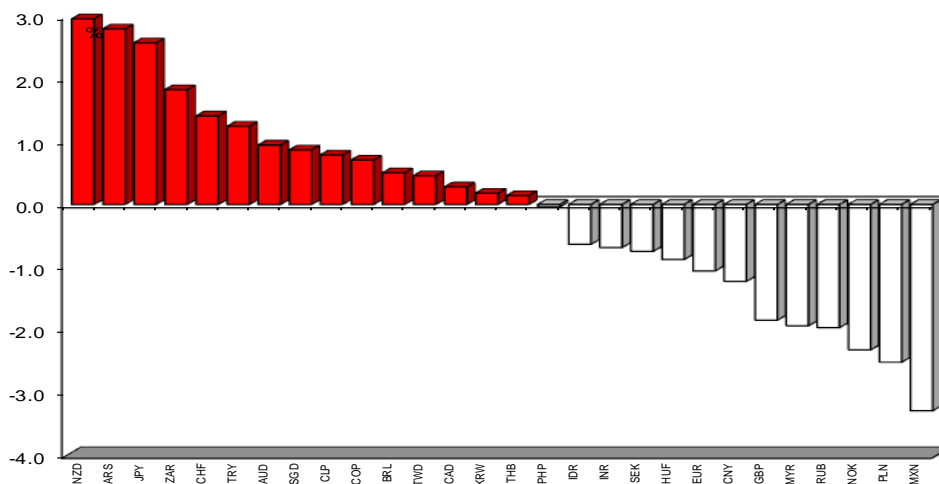
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1200	1.1201	1.1300	1.1304
GBP-USD	1.4091	1.4100	1.4135	1.4145	1.4200
AUD-USD	0.7270	0.7300	0.7358	0.7400	0.7445
NZD-USD	0.6863	0.6900	0.6989	0.7000	0.7131
USD-CAD	1.2800	1.2861	1.2869	1.2900	1.3188
USD-JPY	105.63	106.00	106.29	107.00	108.70
USD-SGD	1.3449	1.3500	1.3575	1.3600	1.3630
EUR-SGD	1.5198	1.5200	1.5205	1.5300	1.5371
JPY-SGD	1.2515	1.2700	1.2773	1.2797	1.2800
GBP-SGD	1.9099	1.9100	1.9189	1.9200	1.9620
AUD-SGD	0.9880	0.9900	0.9988	1.0000	1.0067
Gold	1200.00	1254.01	1283.80	1297.70	1297.95
Silver	16.75	17.30	17.38	17.40	17.60
Crude	47.23	47.60	47.66	47.70	50.87

Source: OCBC Bank

FX performance: 1-month change agst USD



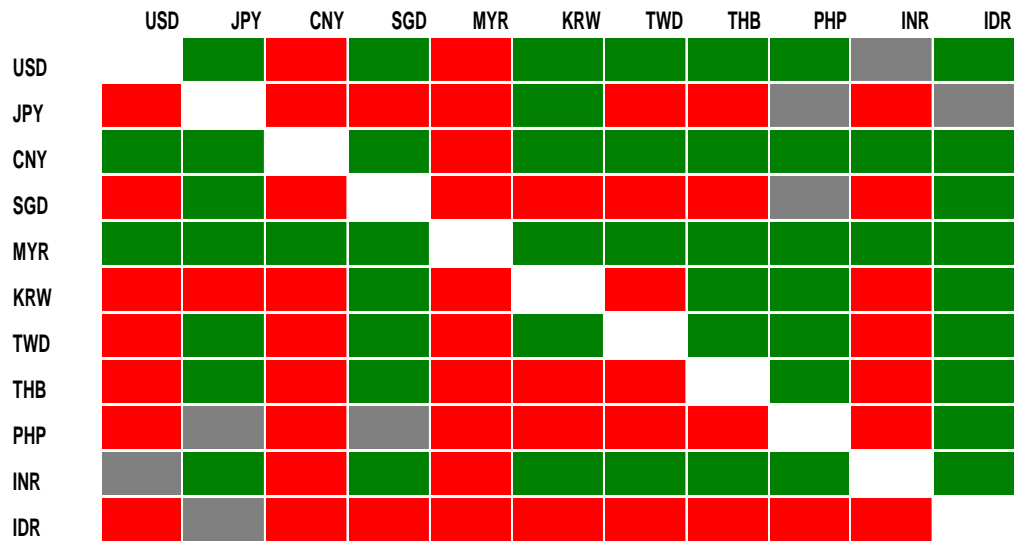
Source: Bloomberg

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	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	
3	14-Jun-16	S	GBP-USD	1.4153	1.3785	1.4340	Potential for further downside going into EU referendum	
STRUCTURAL								
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	
7	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
8	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclical, search for yield	
9	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
RECENTLY CLOSED								
	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

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