

Tuesday, November 15, 2016

FX Themes/Strategy/Trading Ideas

- The dollar continued to make inroads against the majors on Monday with the DXY trading briefly above the 100.00 level (US 10y UST yield high of 2.302%) before consolidating slightly into late NY.
- Going ahead, while the broad dollar may pause for breath and capitulate in the short term, it remains to be seen if the market's single minded pursuit of USD strength on the back of firmer UST yields (and policy dichotomy) will continue to extend unabated. On this front, note that FF futures implied odds of a Dec FOMC rate hike now stand at 92%.
- For clues on further dollar prospects, markets will be confronted with a swath of **Fed speakers** today including Rosengren (1300 GMT), Tarullo (1405 GMT), Fischer (1830 GMT) and Kaplan (1830 GMT).
- Elsewhere, background concerns towards EM growth prospects and EM/Asia bonds may continue to endanger the respective bond markets, sustaining expectations of capital outflows. In our view, EM-related jitters remain apparent with risk premiums continuing to push wider on Monday and the **FXSI (FX Sentiment Index)** lifting higher within Risk-Neutral territory on Monday.

Asian FX

- The **ACI (Asian Currency Index)** may sit on slightly lower ground intra-day pending further directionality in the **DXY** and the state of the current global rout.
- **SGD NEER:** The **SGD NEER** is firmer on the day at around -0.52% below its perceived parity (1.4048) as the broad USD paused for breath into late NY. Note however that NEER-implied USD-SGD thresholds are still higher on the day and background expectations may be for the NEER to range within -0.50% (1.4116) and -1.00% (1.4187) intra-day. As noted yesterday, if the pair manages to base build around the 1.4105 region, scope for 1.4195 may remain on the cards if the DXY continues to climb.

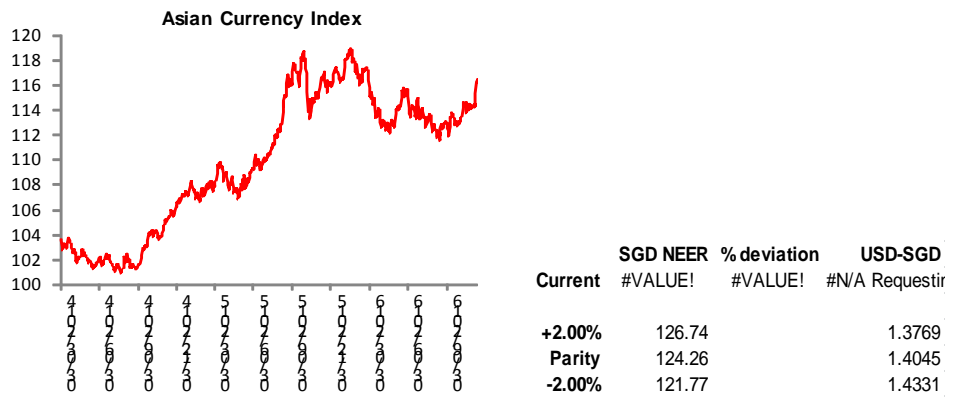
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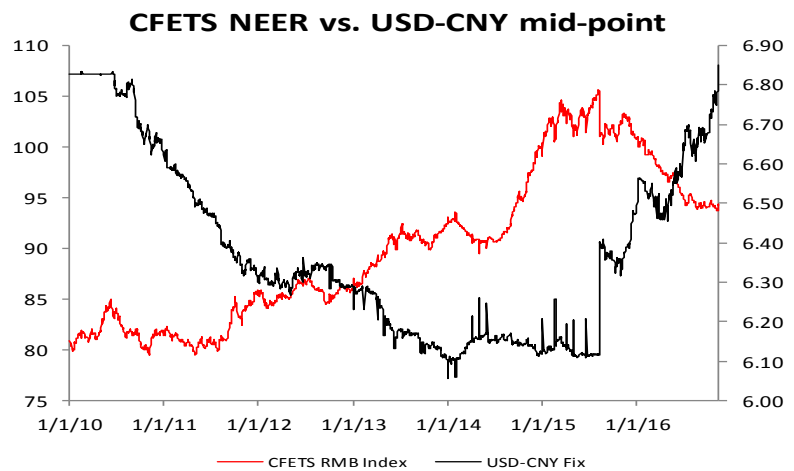
Treasury Research &
Strategy
Tel: 6530-4887

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com



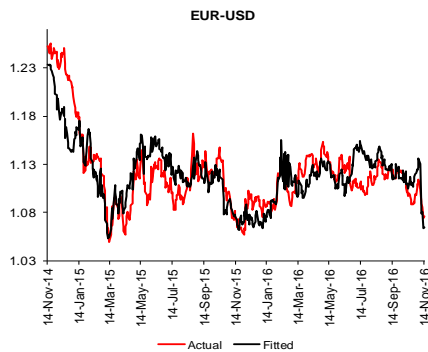
Source: OCBC Bank

- CFETS RMB Index:** While the PBOC may have loosened slightly the reins on the CNY and CNH on the spot, the USD-CNY mid-point this morning continued to exhibit some restraint and came in at a lower than expected 6.8495. Meanwhile, the **CFETS RMB Index** slipped slightly to 94.24 from 94.33 on Monday. In the interim, a near term anchor for the Index may rest around 94.00, perhaps until better clarity can be had from the incoming US administration.



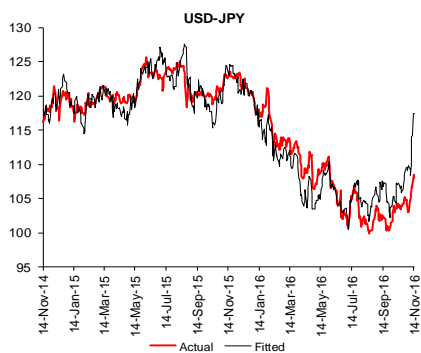
Source: OCBC Bank, Bloomberg

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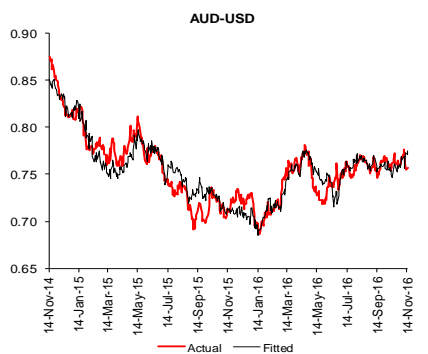
Source: OCBC Bank

- EUR-USD** With the ECB's Constancio referring to subdued core inflation in the EZ, the EUR-USD may remain top heavy in the near term. Look to the ECB's Nowotny (1800 GMT) for further potential guidance today. Meanwhile, short-term implied valuations remain unambiguously soft for the pair with the 1.0700 zone seen as a crucial support.



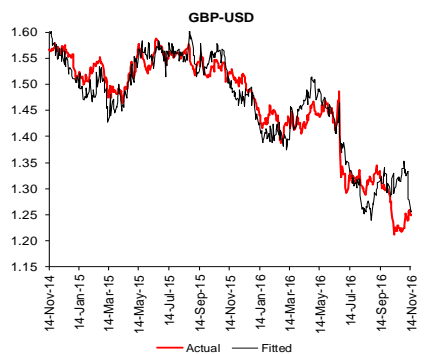
Source: OCBC Bank

- USD-JPY** Sensitivity to US yield developments and discretionary USD strength in general remains significant for the USD-JPY. At this juncture, the 200day MA (106.49) may serve as a distant support on any pullbacks while a key 200-week MA (108.47) may cap pending a reassessment.



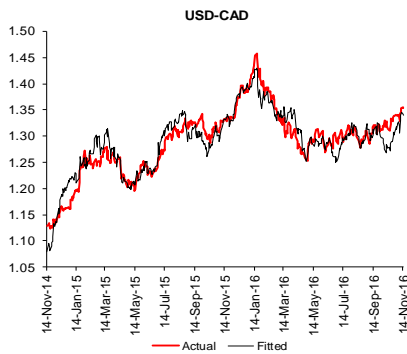
Source: OCBC Bank

- AUD-USD** A supported commodity complex has been at odds with a firmer dollar dynamic in recent sessions, sending mixed signals to the AUD-USD. Structural considerations also run counter to any potential upward drift to the AUD-USD, especially if global trade is impinged. In the interim, our preference remains for a heavy AUD-USD, bounded by its 200-day MA (0.7510) and its 55-day MA (0.7605). Multi-session, any failure to re-take the 0.7600 neighborhood risks a significant relapse.



Source: OCBC Bank

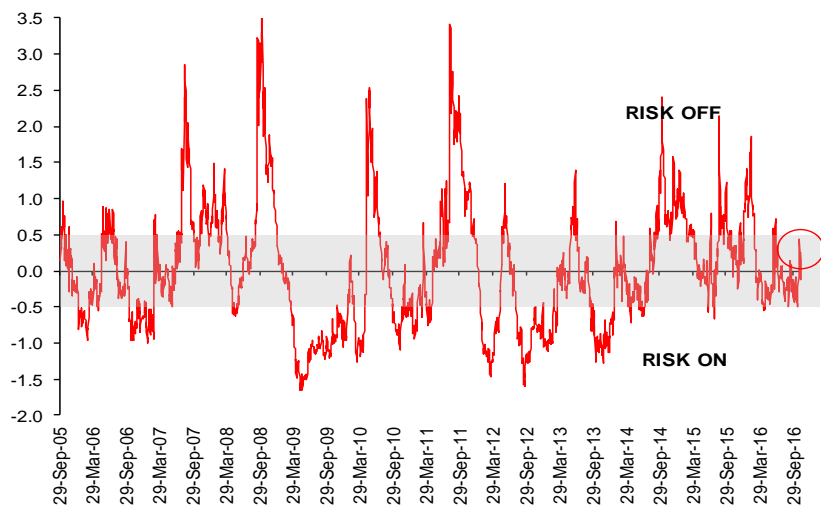
- GBP-USD** The BOE's Carney is scheduled on the wires at 1000 GMT while we note short-term valuations continue to be weighed, portending a continued fading of the recent resilience of the pound for another session. Preference to fade upticks towards 1.2600 for 1.2400.



- USD-CAD** The USD-CAD is still perceived to be buoyant given its unfortunate geographical location and with crude still soggy. Short-term valuations remain buoyant and persistence above 1.3500 risks a move towards 1.3730.

Source: OCBC Bank

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	0.614	0.741	0.809	-0.048	-0.032	0.810	0.043	-0.772	0.017	0.631	-0.975
CHF	0.826	0.901	0.823	0.751	-0.435	-0.439	0.934	-0.438	-0.519	0.388	0.844	-0.832
SGD	0.820	0.148	0.255	0.705	0.426	0.487	0.476	0.446	-0.901	-0.325	0.221	-0.874
JPY	0.810	0.921	0.910	0.721	-0.509	-0.498	1.000	-0.521	-0.399	0.417	0.909	-0.789
CNY	0.741	0.878	1.000	0.525	-0.595	-0.627	0.910	-0.596	-0.213	0.434	0.943	-0.636
CNH	0.732	0.508	0.530	0.460	-0.147	-0.083	0.603	0.000	-0.486	0.410	0.357	-0.703
USGG10	0.687	0.777	0.679	0.513	-0.460	-0.414	0.841	-0.424	-0.334	0.571	0.710	-0.715
TWD	0.631	0.908	0.943	0.528	-0.691	-0.678	0.909	-0.698	-0.161	0.407	1.000	-0.629
CAD	0.614	1.000	0.878	0.558	-0.739	-0.709	0.921	-0.675	-0.186	0.624	0.908	-0.547
IDR	0.520	0.882	0.788	0.413	-0.756	-0.756	0.787	-0.685	-0.081	0.765	0.745	-0.459
MYR	0.519	0.914	0.736	0.508	-0.717	-0.699	0.825	-0.637	-0.148	0.733	0.734	-0.471
KRW	0.503	0.879	0.852	0.368	-0.804	-0.760	0.841	-0.745	0.021	0.684	0.865	-0.394
PHP	0.455	0.866	0.813	0.209	-0.839	-0.777	0.752	-0.772	0.077	0.794	0.810	-0.326
THB	0.409	0.717	0.805	0.100	-0.676	-0.715	0.663	-0.757	0.119	0.481	0.831	-0.365
CCN12M	0.396	0.031	0.133	0.108	0.166	0.074	0.123	0.137	-0.270	0.140	-0.076	-0.363
INR	0.384	0.707	0.533	0.292	-0.567	-0.542	0.678	-0.558	-0.090	0.761	0.584	-0.424
GBP	0.032	0.686	0.504	0.137	-0.774	-0.872	0.520	-0.838	0.290	0.658	0.629	-0.142
NZD	-0.698	-0.145	-0.198	-0.436	-0.342	-0.418	-0.388	-0.374	0.707	0.063	-0.138	0.699
AUD	-0.717	-0.505	-0.499	-0.383	0.149	0.053	-0.595	0.092	0.495	-0.271	-0.486	0.695
EUR	-0.975	-0.547	-0.636	-0.868	-0.048	-0.061	-0.789	-0.02	0.861	0.074	-0.629	1.000

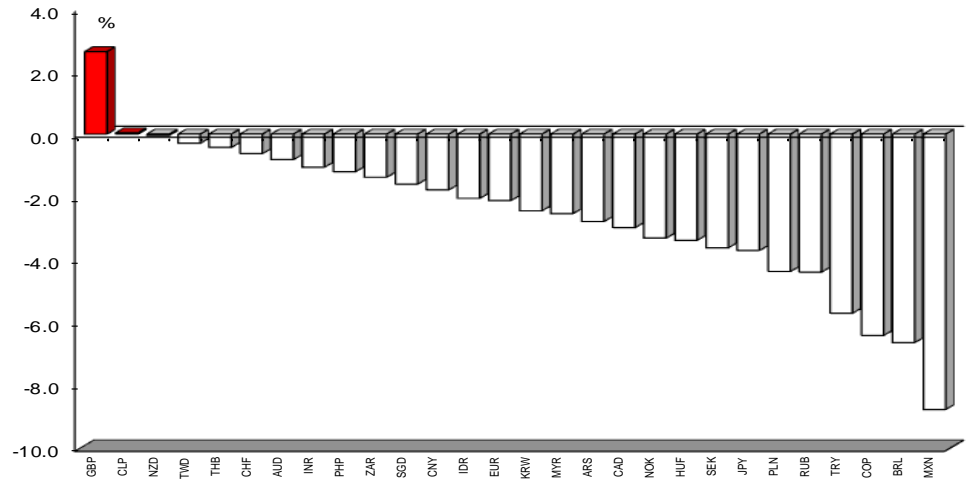
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0709	1.0734	1.0765	1.0800	1.1079
GBP-USD	1.2071	1.2400	1.2498	1.2500	1.2601
AUD-USD	0.7508	0.7517	0.7566	0.7600	0.7609
NZD-USD	0.7035	0.7100	0.7128	0.7200	0.7224
USD-CAD	1.3239	1.3500	1.3531	1.3582	1.3589
USD-JPY	107.00	107.83	107.89	108.00	108.54
USD-SGD	1.3772	1.4100	1.4118	1.4133	1.4180
EUR-SGD	1.5100	1.5105	1.5199	1.5200	1.5243
JPY-SGD	1.3041	1.3081	1.3087	1.3100	1.3331
GBP-SGD	1.7392	1.7600	1.7646	1.7700	1.7738
AUD-SGD	1.0525	1.0600	1.0682	1.0700	1.0752
Gold	1211.00	1223.90	1227.40	1282.38	1288.42
Silver	16.87	17.00	17.04	17.10	17.66
Crude	42.20	43.70	43.72	43.80	46.55

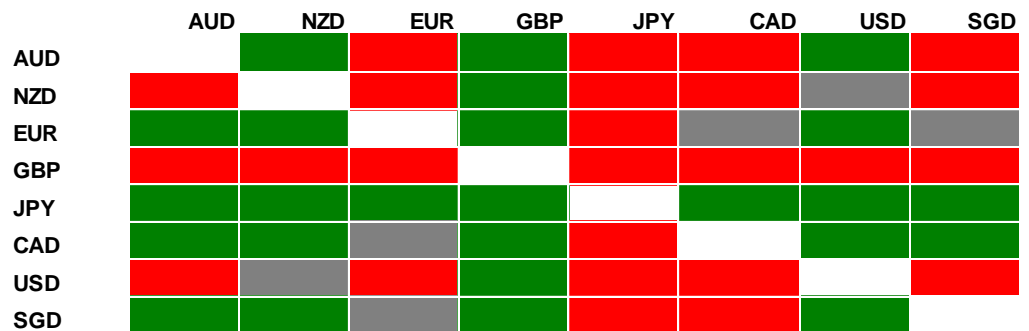
Source: OCBC Bank

FX performance: 1-month change agst USD



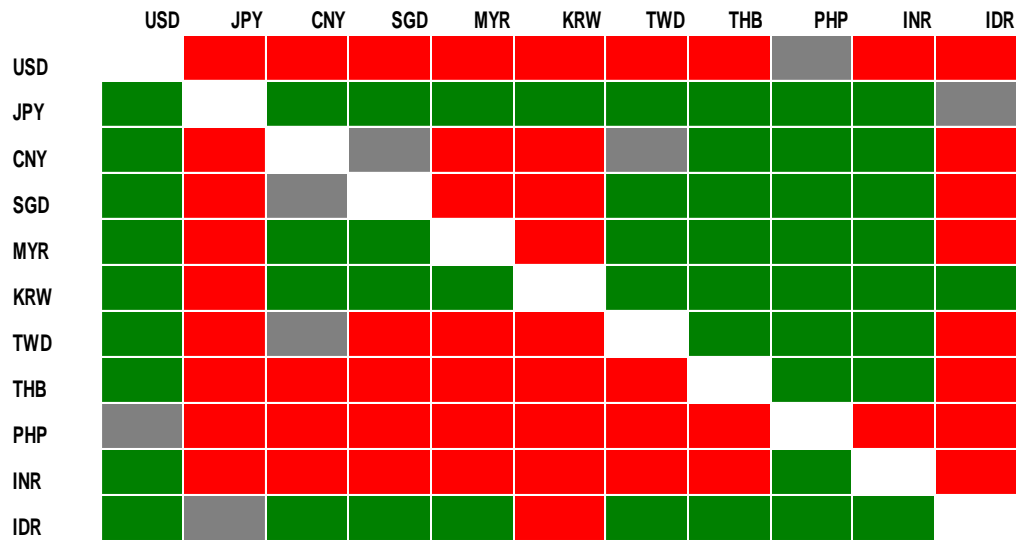
Source: Bloomberg

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	26-Oct-16		B	USD-CAD	1.3356	1.3635 1.3210	Softening crude, dovish BOC, potential USD strength	
2	14-Nov-16		B	USD-SGD	1.4172	1.4375 1.4070	USD strength and EM jitters post-US elections	
STRUCTURAL								
3	07-Mar-16		B	AUD-USD	0.7412	0.7955 0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
4	25-Oct-16		B	USD-SGD	1.3919	1.4630 1.3560	Bullish dollar prospects, negative space for SGD NEER	
RECENTLY CLOSED								
	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
Jan-Oct 2016 Return								+3.91

Source: OCBC Bank

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