

Thursday, June 16, 2016

FX Themes/Strategy/Trading Ideas

- In the wake of the FOMC outcome, expect the dollar to stay on the defensive pending the BOJ later in the Asian session with Brexit-themed risk aversion still a potential support for the greenback.
- Meanwhile, risk appetite has improved slightly with the **FXSI (FX Sentiment Index)** retreating lower and seeping back into Risk-Neutral territory from Risk-Off territory. Pending the BOJ MOPC later today, we also look for an additional layer of support for the antipodeans with the run of slightly better than expected headlines (NZ GDP, AU labor market numbers).
- In terms of asset class reaction to the FOMC, we note that the belly of the UST curve at 5-7y continues to outperform, both overnight, and on the month. In our view, this is more pervasive than if the front end had been outperforming given the implication of more ingrained downgrading of medium term economic prospects, as opposed to the more mundane (and more volatile) re-pricing of rate hike prospects gleaned from moves at the front-end. We stay structurally positioned against the USD.

Asian FX

- Expect the **Asian Currency Index (ACI)** to continue to lose altitude intra-day given the prevailing USD mood and despite China's May monetary aggregates coming in mixed on Wednesday. On the central bank front, Bank Indonesia convenes today and any dovish overtones may continue to impinge on the IDR on a total return basis in the near term, not to mention from a spot perspective.
- Post-FOMC, the **SGD NEER** is yet firmer and trading around +0.99% above its perceived parity (1.3643) with NEER-implied USD-SGD thresholds also lower on the day. At current levels, the +1.00% threshold is estimated at 1.3508. Note that relative to its parity, the last significant high beyond +1.00% was +1.23% in mid-June 2015 while the NEER retreated after clocking +1.00% in mid-March 2016. Currently +1.20% corresponds to around 1.3482.
- Meanwhile, volatility measures (for both the NEER and USD-SGD) are warming up somewhat but any official discomfort may begin to stem from the absolute levels of the NEER. However, this may be tempered by the notion that the current USD-SGD and NEER path has been largely externally driven. Technically, a sustained breach of 1.3500 opens the way to 1.3450.

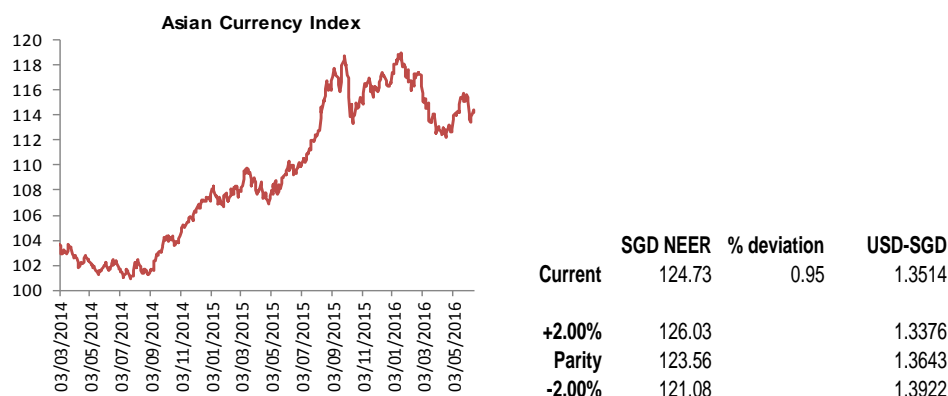
Corporate FX &
Structured Products
Tel: 6349-1888 / 1881
Fixed Income &
Structured Products
Tel: 6349-1810

Investments &
Structured Product
Tel: 6349-1886

Interest Rate Derivatives
Tel: 6349-1899

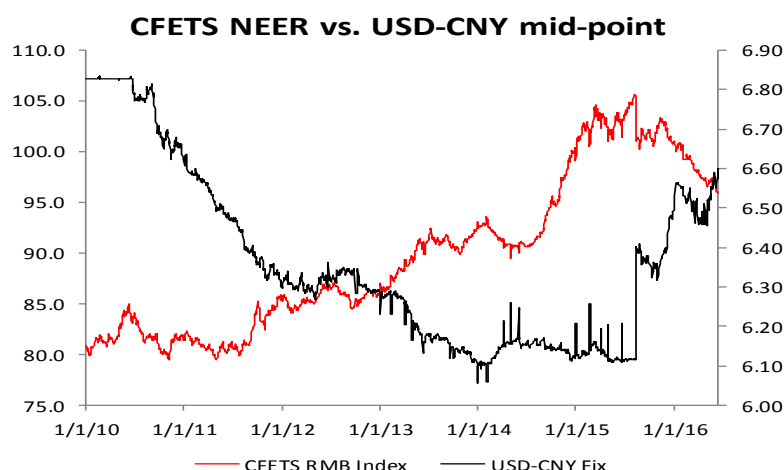
Treasury Research &
Strategy
Tel: 6530-4887

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com



Source: OCBC Bank

- The **CFETS RMB Index** rose this morning to 95.95 from 95.88 on Wednesday with the USD-CNY mid-point dropping to 6.5739 from 6.6001 on Wednesday.



Source: OCBC Bank, Bloomberg

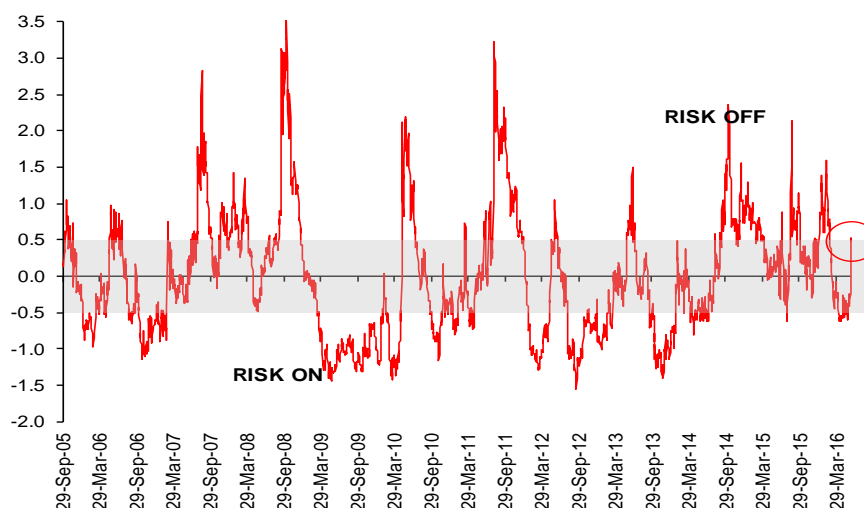
G7

- EUR-USD** The EUR-USD is expected to remain trapped in the near term with downside support expected to kick in towards 1.1200 in the near term following the FOMC. On the upside, the 55-day MA (1.1311) may continue to serve as a near term cap. Beyond the dollar complex, Brexit risks are expected to remain for the coming week, with the EUR-JPY and EUR-CHF still expected to be heavy.
- USD-JPY** With the Fed perceived to be dovish from overnight, any disappointment from US May CPI readings tonight may further endanger the USD-JPY. In the near term and pending the BOJ MOPC, we think the 105.00 may remain on the cards despite official Japanese jawboning.
- AUD-USD** As noted above, the antipodeans may derive an additional layer of support on downside dips from the run of supportive headlines in early Asia on Thursday. In the current environment of slight dollar (FOMC) disappointment, risks may remain tilted towards the upside, with the range

bordered by the 200-day MA (0.7274) and the 55-day MA (0.7459).

- GBP-USD** The BOE MPC is expected to be uneventful while the GBP-USD may be faced with an uphill grind if it is to overcome the 1.4200 handle, especially with the referendum looming. 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.

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXEX	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

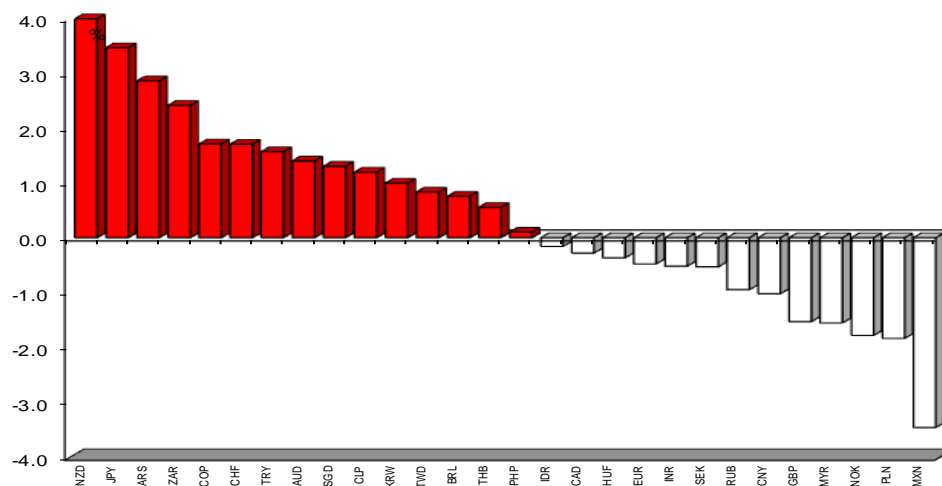
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1200	1.1267	1.1300	1.1303
GBP-USD	1.4100	1.4122	1.4185	1.4200	1.4432
AUD-USD	0.7272	0.7300	0.7390	0.7400	0.7444
NZD-USD	0.6869	0.7000	0.7058	0.7100	0.7148
USD-CAD	1.2858	1.2900	1.2934	1.3000	1.3188
USD-JPY	105.00	105.17	105.32	106.00	108.64
USD-SGD	1.3449	1.3500	1.3519	1.3599	1.3600
EUR-SGD	1.5190	1.5200	1.5232	1.5300	1.5368
JPY-SGD	1.2800	1.2831	1.2836	1.2847	1.2900
GBP-SGD	1.9099	1.9100	1.9176	1.9200	1.9624
AUD-SGD	0.9880	0.9900	0.9990	1.0000	1.0071
Gold	1295.00	1298.00	1300.00	1303.42	1310.00
Silver	16.81	17.70	17.73	17.78	17.79
Crude	47.18	47.50	47.53	47.60	50.89

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

Source: OCBC Bank

Asia FX Heat Map

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

Source: OCBC Bank

FX Trade Ideas

FX Trade Room									
	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

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.
