

Friday, June 17, 2016

### FX Themes/Strategy/Trading Ideas

- Despite the smoke clearing slightly after the FOMC/BOJ volatility, dissecting the market in the coming sessions remains tricky. Essentially, post-FOMC USD weakness rapidly morphed into broad-based yen strength and risk aversion in the wake of the BOJ MPC before the majors managed to retrace against the USD by end-NY.
- In a nutshell, risk aversion we think will continue to lurk in the shadows ahead of the UK referendum next week, keeping the JPY-crosses inherently heavy. On this front, note that the **FXSI (FX Sentiment Index)** crept back into Risk-Off territory on Thursday. Meanwhile, the competing theme of dollar weakness may have to assume a secondary position and may only begin to flex when markets clear the hurdle of the UK referendum.
- Our 01 Mar 16 idea to be structurally short **USD-JPY** (spot ref: 112.91) reached its 105.00 target on Thursday for an implied +7.18% gain.
- Meanwhile, our 10 Jun 16 idea to be tactically short **USD-JPY** (spot ref: 107.16) also fulfilled its 103.85 objective on Thursday. Given the current state of affairs post FOMC/BOJ and the imminent UK referendum, we extend our target to 100.65, trailing the stop to 105.50.

### Asian FX

- EM (including Asia) may remain relatively more vulnerable to spillover from global market volatility with the crashing USD-JPY not having a discernible impact on containing Asian vulnerability over the past week. To this end, we note that the **Asian Currency Index (ACI)** will likely end higher on the week. As such, potential risk aversion we think continues to present a significant threat to the regional currencies.
- This morning, the **SGD NEER** is stronger on the day again at +1.22% above its perceived parity (1.3639) with the USD-SGD heaviness outstripping the softer NEER-implied USD-SGD thresholds. Intra-day, the surprisingly better than expected May NODX (+11.6% yoy) may also continue to keep the pair top heavy pending event-driven headlines.
- With the SGD NEER being buffeted by external developments in the near term, its relative position above its perceived parity may continue to be “tolerated” in the interim despite likely background valuation concerns. Elsewhere, volatility measures for the USD-SGD and SGD NEER remain under wraps.

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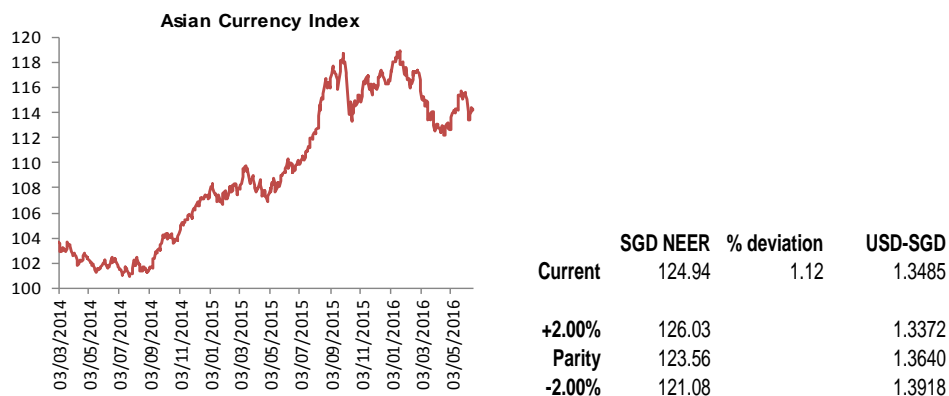
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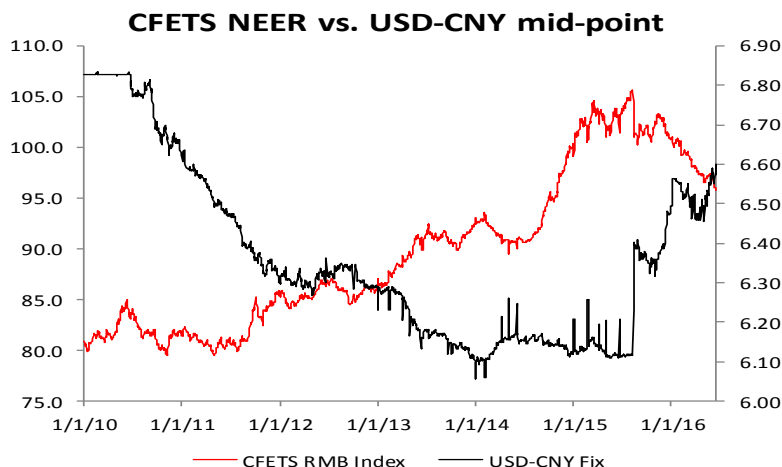
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- At current levels, the +1.00% NEER-implied USD-SGD threshold equates to around 1.3505 while +1.50% is seen at around 1.3439. Technically, initial support is expected towards 1.3450 pending headline risks.



Source: OCBC Bank

- This morning, the **CFETS RMB Index** fell to 95.82 (lowest year-to-date) from 95.96 on Thursday, pulling the USD-CNY mid-point higher to 6.5795 from 6.5739 yesterday. Overall, the perceived intent to keep the Index asymmetrically suppressed implies sustained headroom for a firmer USD-CNY in the current environment. Note that the Index has depreciated -5.10% in the year-to-date.



Source: OCBC Bank, Bloomberg

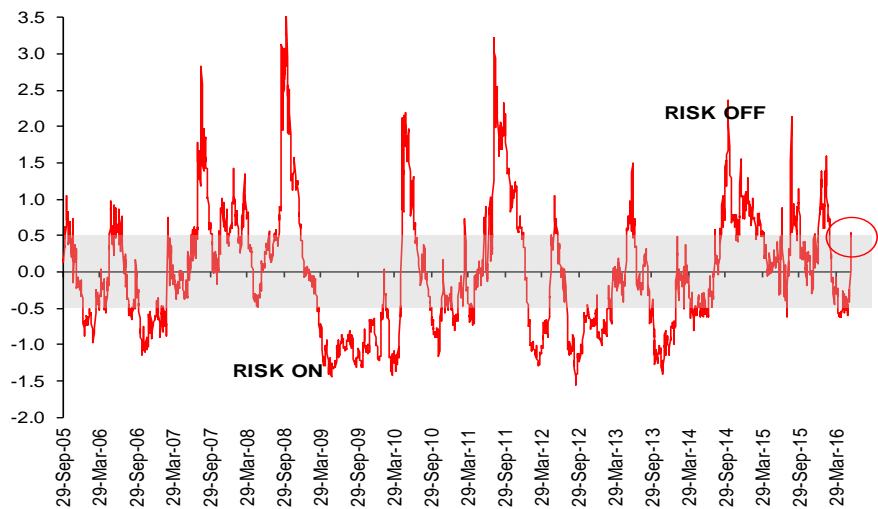
**G7**

- EUR-USD** The EUR-USD may remain largely range bound although downside pressure may increase in the coming sessions as UK referendum concerns continue to simmer. The 55-day MA (1.1308) may continue to cap while 1.1190/00 remains a near term risk. Elsewhere, the EUR-USD may also continue to be governed by the implicit softness in the EUR-JPY and the EUR-CHF.
- USD-JPY** Official Japanese jawboning against excessive yen volatility

in the wake of yesterday's volatility in the USD-JPY may temper sharp swings lower pending further headline risks. As such, markets may be slightly cautious on the downside at this juncture, with the USD-JPY's daily rate of change clocking as much as -2.31% at the height of yen strength on Thursday although the pair ended around -1.65%, third fastest on-day dip in the year to date. Previous occasions were -2.15% on 03 Jun and -3.00% on 28 Apr.

- AUD-USD** AUD-USD may remain sidelined in the near term with directionality expected to be dependent on risk appetite developments. In the interim, the 200-day MA (0.7276) may cushion while the 55-day MA (0.7453) may border the topside.
- GBP-USD** GBP-USD managed to bounce on Thursday as campaigning ceased following the unfortunate shooting of a "pro-Remain" lawmaker. Sentiment driven chatter and Brexit uncertainty is expected to heighten in the coming sessions and realized volatility is expected to be subject to spikes. Into the end of the week, the pair may loiter around the 1.4200 neighborhood with the 55-day MA (1.4410) still holding as a resistance. 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	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

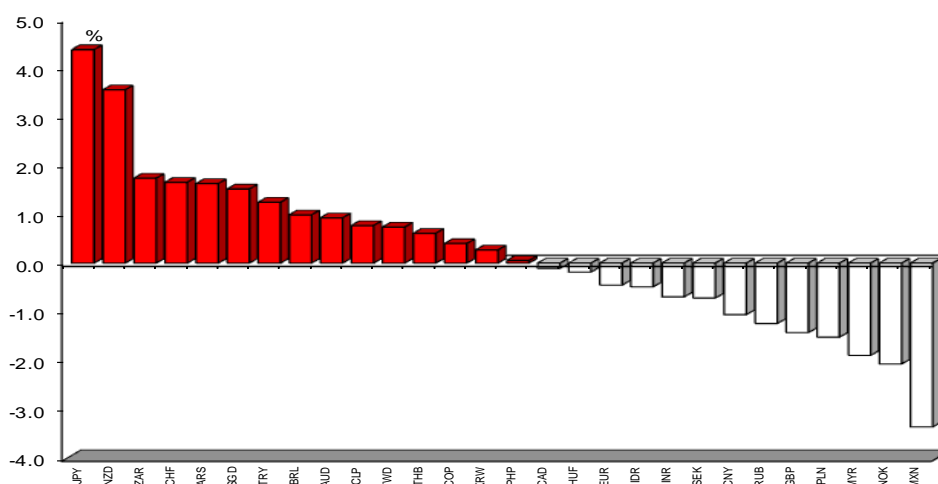
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1099	1.1200	1.1263	1.1299	1.1300
GBP-USD	1.4104	1.4200	1.4258	1.4300	1.4435
AUD-USD	0.7273	0.7300	0.7392	0.7400	0.7440
NZD-USD	0.6874	0.7000	0.7051	0.7100	0.7148
USD-CAD	1.2857	1.2900	1.2915	1.3000	1.3188
USD-JPY	103.94	104.00	104.57	105.00	108.55
USD-SGD	1.3400	1.3449	1.3486	1.3500	1.3599
EUR-SGD	1.5100	1.5156	1.5189	1.5200	1.5363
JPY-SGD	1.2532	1.2800	1.2896	1.2900	1.2903
GBP-SGD	1.8979	1.9200	1.9227	1.9300	1.9628
AUD-SGD	0.9874	0.9900	0.9969	1.0000	1.0070
Gold	1200.00	1256.41	1280.30	1300.00	1305.51
Silver	16.85	17.30	17.31	17.40	17.83
Crude	46.50	46.52	46.52	46.60	51.26

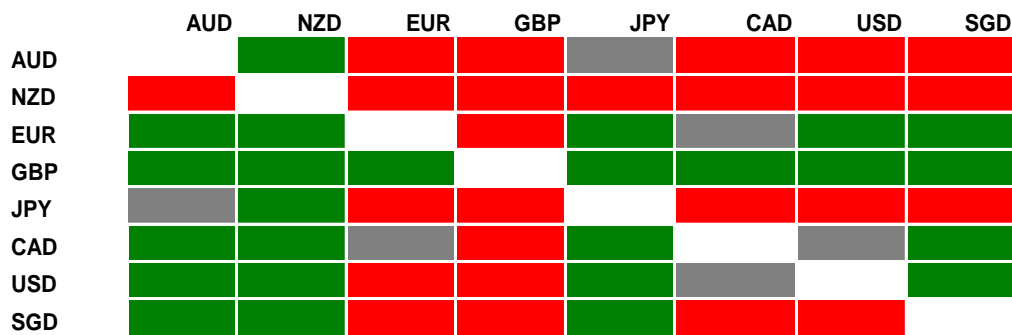
Source: OCBC Bank

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



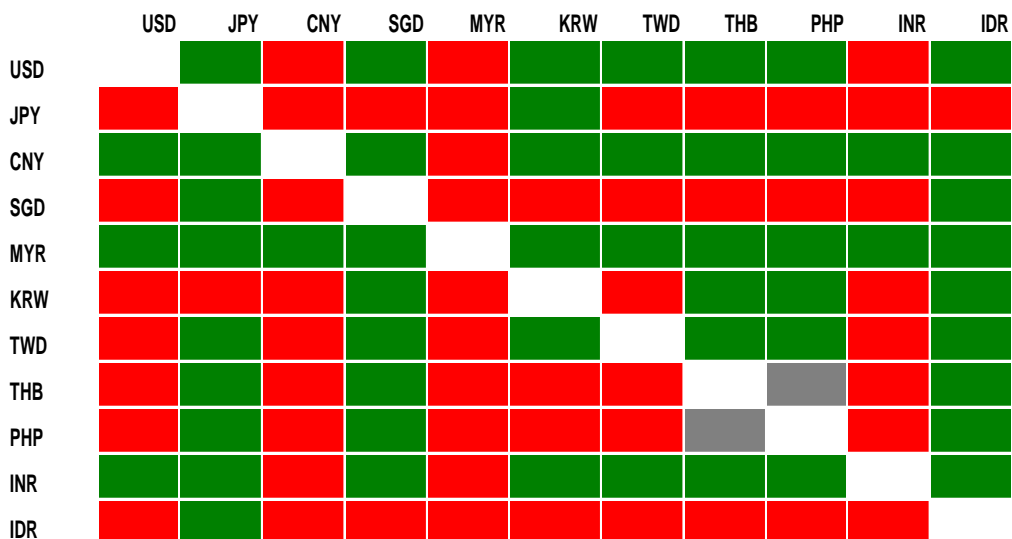
Source: Bloomberg

**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	107.16	100.65	105.50	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	
<b>STRUCTURAL</b>								
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
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 cyclicals, search for yield	
8	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
<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	07-Jun-16	B	USD-CAD	1.2929	1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53
5	09-May-16	08-Jun-16	B	USD-SGD	1.3623	1.3520	Potential for USD strength ahead of Fed-speak	-0.83
6	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626	0.7490	Negativity post 1Q CPI numbers	1.64
7	01-Mar-16	16-Jun-16	S	USD-JPY	112.91	105.00	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	+7.18

Source: OCBC Bank

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