

**Monday, April 18, 2016**

**FX Themes/Strategy/Trading Ideas – The week ahead**

- Plunging crude in Asia on Monday after the Doha talks is taking a toll on the likes of the CAD while background risk aversion is weighing on the antipodeans while boosting the JPY (note also Kyushu news flow).
- On the **CFTC** front, net implied USD longs in aggregate with respect to large non-commercial as well as leveraged accounts saw a significant drop in the latest week. More so compared to the previous week, such implied speculative positioning with respect to the broad dollar we think is now unambiguously neutral.
- Meanwhile, latest US data prints were also uninspiring (not to mention less than hawkish comments from the Fed's Evans), with the April U of Michigan consumer sentiment and March industrial output disappointing (note easier UST yields) on Friday. For today, look to the Fed's Dudley and Rosengren for further cues.
- Overall, weak broad dollar dynamics we think will be overshadowed by the latest episode of risk aversion at the beginning of the week. Note that the **FXSI (FX Sentiment Index)** will likely edge higher today after firming slightly within Risk-Neutral territory on Friday.
- This week, apart from the busy data calendar (global PMIs), ones to watch include **RBA** meeting minutes on Tuesday and the **ECB** policy meeting on Thursday. In Asia, the **BOK** is expected to remain static at 1.50% on Tuesday while **Bank Indonesia** is also expected to keep its benchmark rates unchanged on Thursday.

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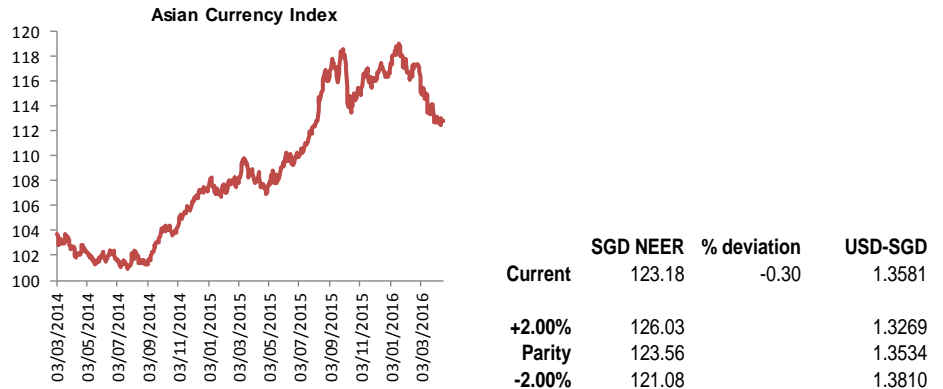
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**Asian FX**

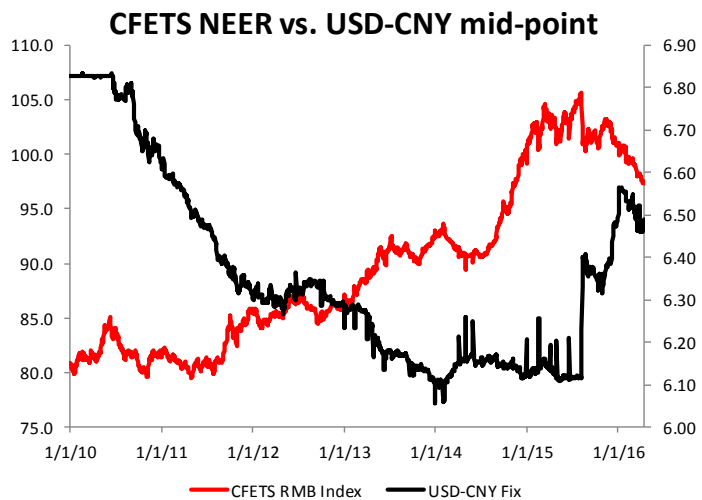
- Despite China GDP numbers being a nonevent on Friday, negative risk appetite reverberations (note also negative contagion from Brazil) and Asian equities early Monday in Asia should keep regional currencies on the defensive in the near term. The **ACI (Asian Currency Index)** may thus attempt to continue bottoming out in the near term.
- This morning, the **SGD NEER** is approximately -0.52% below its perceived parity (1.3534) within its new **neutral** fluctuation band. At current levels, the -2.00% threshold for USD-SGD is estimated at around 1.3810 while the -1.00% threshold is estimated at around 1.3672. At the onset of the week, expect broad dollar and risk appetite dynamics to dominate, with the USD-SGD potentially looking to detach higher from the 1.3600 handle. On the

domestic front, note that March NODX disappointed this morning with a -15.6% yoy contraction (mkts: -12.3%). Currently, the 55-day MA (1.3790) should provide a multi-session ceiling in the interim.



Source: OCBC Bank

- In contrast to prior expectations, the **USD-CNY mid-point** was set markedly lower this morning at 6.4787 (Fri: 6.4908), lifting the **CFETS RMB Index** to 97.46 from 97.38 on Friday.

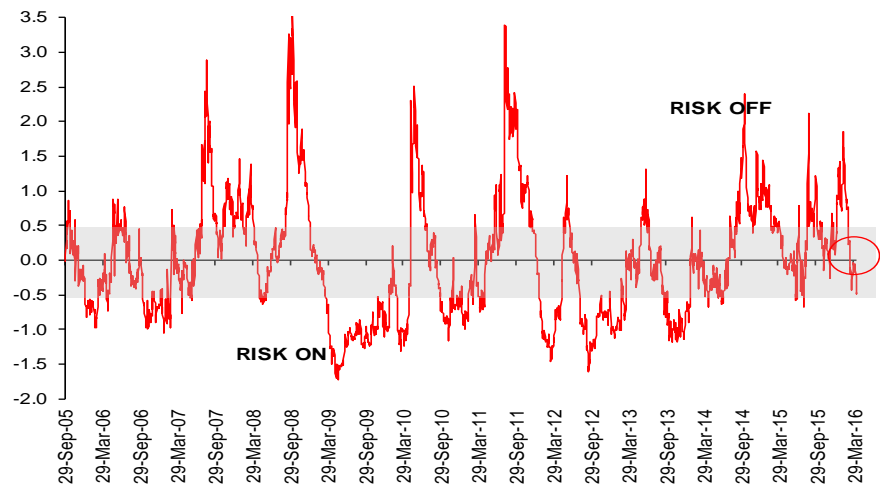


**G7**

- **EUR-USD** Despite still dovish rhetoric by the ECB's Draghi on Friday, the EUR seems to be still holding its own against the dollar despite going uncertainty across global markets. Caution may materialize going into the ECB meeting on Thursday (watch Draghi's press conference) while Greek concerns may also be expected to linger ahead of the EX finance Ministers' meeting on 22 Apr 16. On the CFTC front, net EUR shorts were pared further in the latest week but the pair may run the risk of breaching below 1.1267 in the near term with next key support expected towards the 55-day MA (1.1178)

- USD-JPY** With little reaction (or empathy for Japan) from the G20 on foreign exchange rates over the weekend, the pair may continue to be weighed by skittish risk appetite. On the CFTC front, net leveraged JPY longs increased in the latest week despite recent official jawboning with the pair expected to contemplate the 108.00 floor and lower if investor sentiment continues to sour.
- AUD-USD** The AUD-USD may begin the week top heavy under the weight of the commodity complex with the pair already gapping lower in early dealings. Look to RBA meeting minutes tomorrow for further domestic cues while on the CFTC front, net leveraged AUD longs were also reduced slightly in the latest week. Risk for the pair at this juncture may be skewed towards the lower reaches of a 0.7500-0.7730 range.
- GBP-USD** Brexit concerns may continue to linger going ahead with Finance Minister Osborne (he is scheduled to speak again on Tuesday) warning of permanent damage from an exit. On the CFTC front, net leveraged GBP shorts were pared slightly in the latest week but the pair may continue to oscillate (albeit slightly heavy) around the 1.4200 neighborhood pending further impetus. Support is seen towards 1.4100 while the 55-day MA (1.4258) may present an initial resistance.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	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

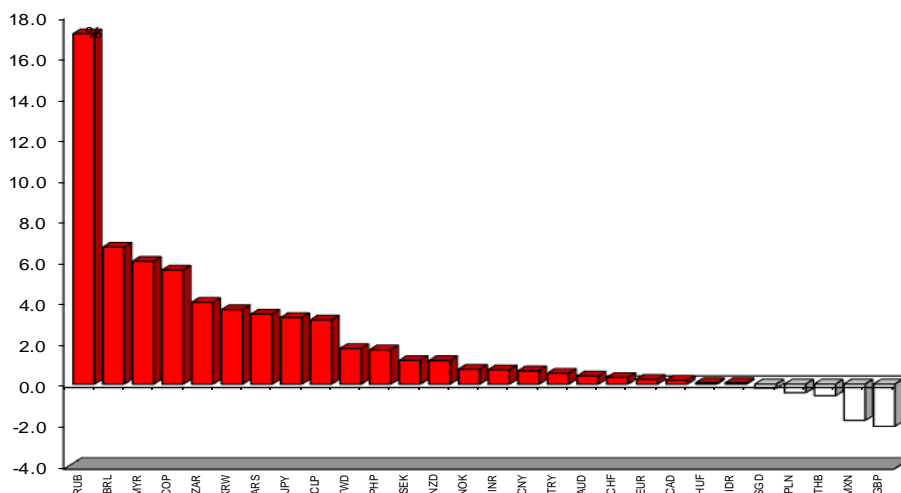
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1185	1.1200	1.1295	1.1300	1.1465
GBP-USD	1.4034	1.4100	1.4172	1.4200	1.4233
AUD-USD	0.7477	0.7600	0.7636	0.7700	0.7737
NZD-USD	0.6743	0.6800	0.6880	0.6900	0.6966
USD-CAD	1.2745	1.2900	1.2980	1.3000	1.3313
USD-JPY	107.63	108.00	108.08	109.00	112.18
USD-SGD	1.3415	1.3600	1.3615	1.3700	1.3730
EUR-SGD	1.5231	1.5300	1.5378	1.5387	1.5400
JPY-SGD	1.2266	1.2500	1.2595	1.2597	1.2600
GBP-SGD	1.8990	1.9200	1.9295	1.9300	1.9544
AUD-SGD	1.0218	1.0300	1.0396	1.0400	1.0484
Gold	1210.18	1234.01	1236.10	1258.05	1287.80
Silver	15.43	16.20	16.26	16.30	16.40

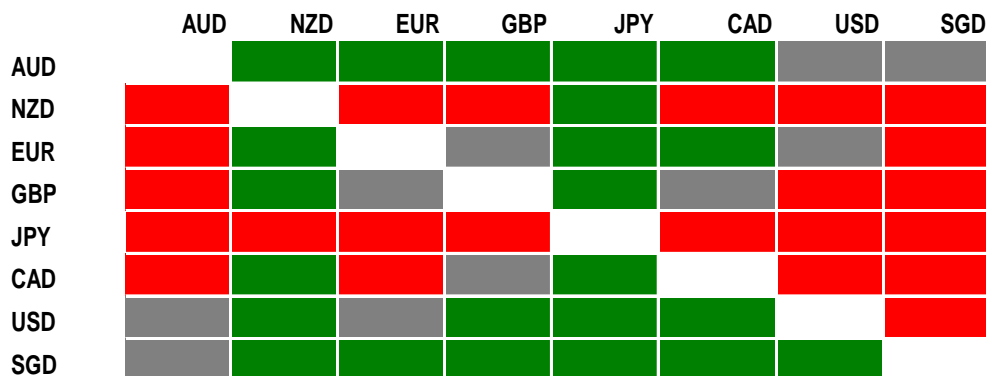
Source: OCBC Bank

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



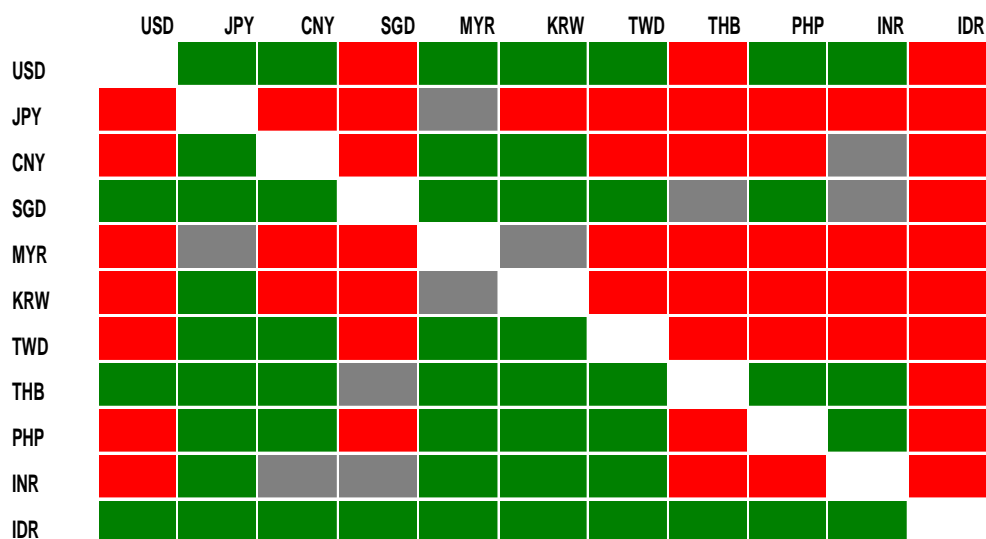
Source: Bloomberg

**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	
1	30-Mar-16	B	EUR-USD	1.1297	1.1630	1.1130	Dollar negativity post-Yellen	
2	14-Apr-16	S	USD-CAD	1.2832	1.2425	1.3040	Bottoming crude prices	
<b>STRUCTURAL</b>								
3	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
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 cyclicals, search for yield	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	18-Mar-16	24-Mar-16	B	EUR-USD	1.1321	1.1150	Tilt in policy balance after ECB and FOMC	-1.53
2	18-Feb-16	31-Mar-16	S	USD-SGD	1.4034	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	+4.54
3	03-Mar-16	08-Apr-16	B	AUD-USD	0.7284	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie	+3.19
4	29-Feb-16	07-Apr-16	S	USD-CAD	1.3533	1.3139	Bottoming crude	+2.98
5	11-Apr-16	14-Apr-16	S	USD-JPY	107.72	109.50	JPY still not drastically overvalued, endemic USD weakness	-1.63
6	04-Mar-16	14-Apr-16	S	USD-SGD	1.3881	1.3634	Brightening risk appetite, vulnerable broad dollar	+1.81

Source: OCBC Bank

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