

Tuesday, April 19, 2016

**FX Themes/Strategy/Trading Ideas**

- Global appetite levels staged a revival intra-day on Monday as crude and global equities bounced with the dollar retreating across G10 space. Despite hawkish comments from the Fed's Rosengren (diluting dovish remarks from Dudley) early in Asia on Tuesday. Positive risk dynamics may instead prevail intra-day despite the **FXSI (FX Sentiment Index)** ticking higher within Risk-Neutral territory on Monday and with the commodity bloc likely to lead the way higher (at the expense of the JPY) against the greenback.
- Ahead of the ECB on Thursday, we closed out our 30 Mar 16 idea to be tactically long **EUR-USD** (spot ref: 1.1297) on Monday at 1.1310, essentially flat at a +0.05% implied return.

**Asian FX**

- Save for the BRL, EM currencies were mixed to firmer on Monday and regional currencies should breathe slightly easier on the back of the more sanguine dollar backdrop intra-day. As such, expect the **ACI (Asian Currency Index)** to trade softer in the current session. Elsewhere, the BOK remained at 1.50% as widely expected this morning. Meanwhile, despite signs of stabilization out of China, India's March trade deficit also shrank more than expected to USD5.07bn on weak imports.
- The **SGD NEER** is trading around its perceived parity (1.3516) this morning given the mixed to weaker undertones from the broad dollar overnight. NEER-implied USD-SGD thresholds are slightly lower on the day with the -1.00% level corresponding to around 1.3654 and the -0.50% threshold estimated at around 1.3585. In the interim, the pair, which has essentially relinquished post-MAS gains, may continue to hug the 1.3500 handle pending further external cues.

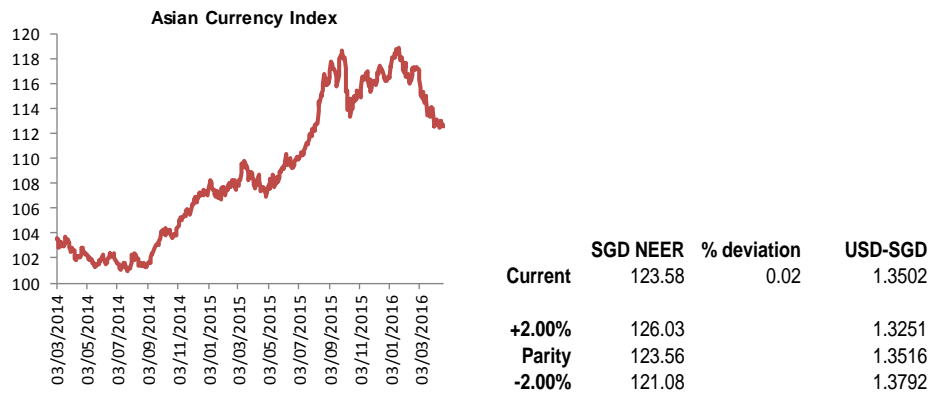
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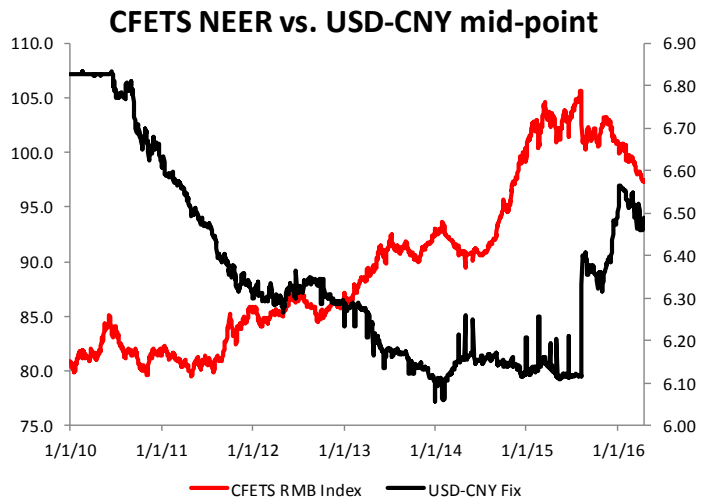
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Source: OCBC Bank

- The **USD-CNY mid-point** was set at a largely as expected 6.4700 this morning compared to Monday's 6.4787. This leaves the **CFETS RMB Index** at 97.37 from 97.46 yesterday. We continue to see the 97.00 level as an interim floor of the Index although the slight depreciation bias in the near term is probably still in play. At this juncture, note that the CFETS RMB Index is down -3.53% ytd (sharpest year-to-date descent in recent years). Similarly, the Index is also registering a -5.28% yoy decline, a pace not witnessed since Apr 2010.

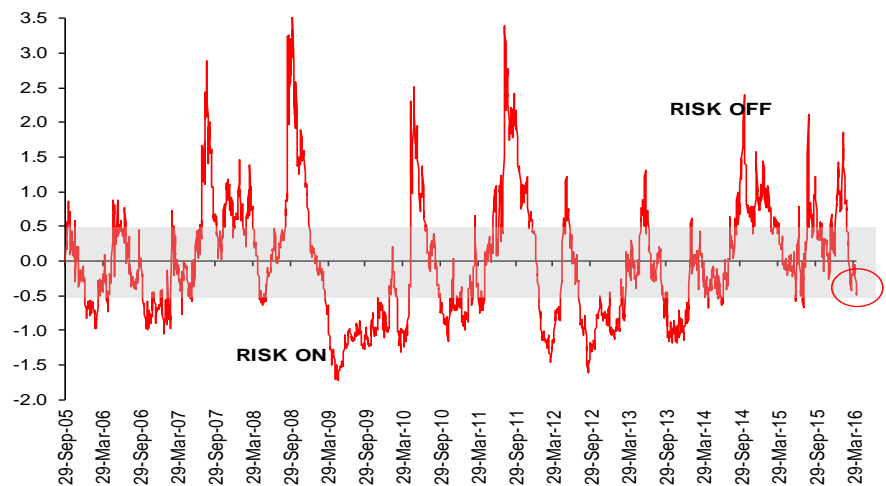


**G7**

- **EUR-USD** The pair may remain trapped in recent ranges ahead of the German April ZEW later in the session with underlying dollar vulnerability likely to provide support on dips. Supports are expected into 1.1300 and 1.1267 while 1.1340/50 may cap intra-day.
- **USD-JPY** Japanese official rhetoric (latest from the BOJ's Kuroda) to support the USD-JPY is still not letting up and with investor sentiment slightly more positive today, the USD-JPY may remain supported within a 108.00-110.00 range in the near term.

- AUD-USD** Despite warning about a strong AUD, the RBA meeting minutes this morning failed to significantly faze the AUD-USD and the pair may attempt to reach for 0.7800 if positive risk appetite and commodity price optimism continues to accumulate.
- GBP-USD** In the short term, the GBP-USD may be encouraged to persist above its 55-day MA (1.4258) with 1.43.25 a probable first pit stop on any upticks. With the UK data calendar empty today, look towards external dollar cues instead.

**FX Sentiment Index**



Source: OCBC Bank

**1M Correlation Matrix**

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRSEX	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

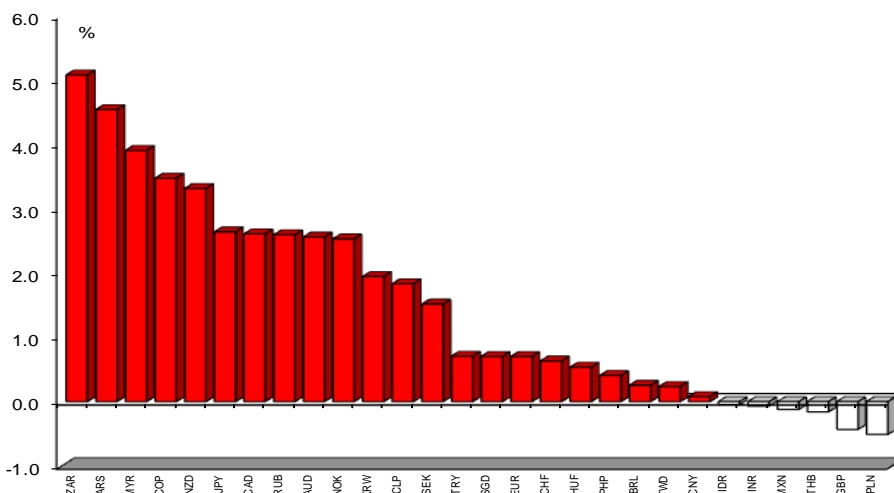
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1185	1.1300	1.1320	1.1400	1.1465
GBP-USD	1.4231	1.4300	1.4306	1.4400	1.4401
AUD-USD	0.7458	0.7700	0.7772	0.7779	0.7784
NZD-USD	0.6745	0.6900	0.6982	0.6995	0.7000
USD-CAD	1.2745	1.2900	1.2973	1.3000	1.3286
USD-JPY	107.63	109.00	109.07	110.00	112.07
USD-SGD	1.3450	1.3470	1.3500	1.3704	1.3739
EUR-SGD	1.5200	1.5221	1.5283	1.5300	1.5363
JPY-SGD	1.2262	1.2300	1.2379	1.2400	1.2604
GBP-SGD	1.8970	1.9300	1.9315	1.9400	1.9533
AUD-SGD	1.0222	1.0400	1.0492	1.0500	1.0514
Gold	1206.00	1209.78	1230.00	1235.41	1256.78
Silver	15.46	16.20	16.21	16.30	16.40

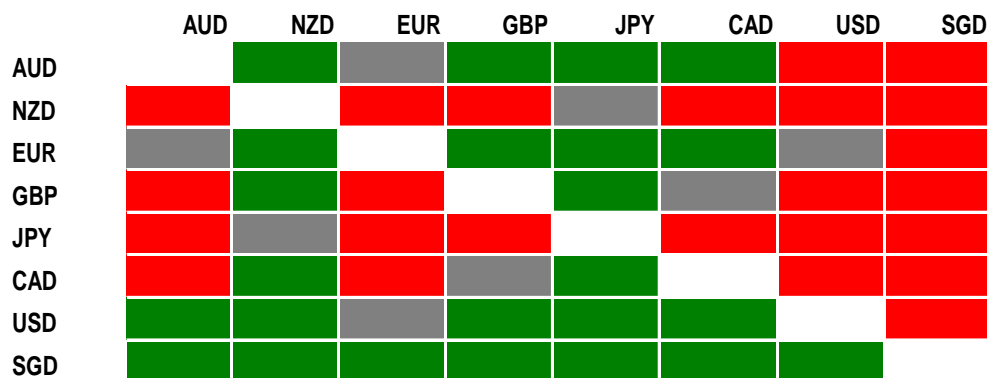
Source: OCBC Bank

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



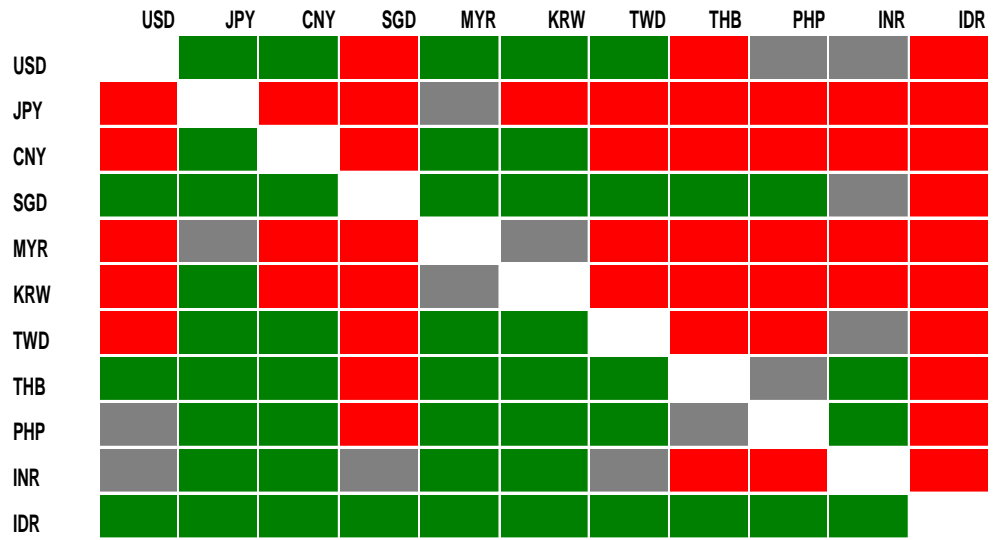
Source: Bloomberg

**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	14-Apr-16	S	USD-CAD	1.2832	1.2425	1.3040	Bottoming crude prices	
<b>STRUCTURAL</b>								
2	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
3	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
4	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
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 cyclical, 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
7	30-Mar-16	18-Apr-16	B	EUR-USD	1.1297	1.1310	Dollar negativity post-Yellen	+0.05

Source: OCBC Bank

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