

Tuesday, July 19, 2016

**FX Themes/Strategy/Trading Ideas**

- Markets may remain driven to distraction in the near term with investors trading off a mixture of relief and expectations surrounding respective central banks. Broad risk appetite levels meanwhile have stabilized in the past week following the initial shock of the UK referendum vote in late June and a wait-and-see mode may continue to prevail at this juncture. To this end, the **FXSI (FX Sentiment Index)** is essentially back at pre-vote levels, with the Index ticking slightly higher within Risk-Neutral territory on Monday.
- Overall, a capitulation of post UK referendum vote price action, expectations of a static Fed (despite latest US data points providing some buoyancy), and a reassessment of the posture of the Fed's counterparts (RBNZ, RBA, BOE, ECB for e.g.) may be supportive of the majors in the near term. Meanwhile, the **FXSI (FX Sentiment Index)** is essentially back at pre-vote levels, with the Index ticking slightly higher within Risk-Neutral territory on Monday. As noted previously, with risk appetite levels at benign levels, the search for yield may also continue to overlay broader markets.

**Asian FX**

- A more supported broad USD tone and soft global crude prices (note global macro uncertainty expected to dominate at this week's G20 meeting) should continue to keep regional pairs supported to firmer intra-day. As such, the **Asian Currency Index (ACI)** may be expected to tick higher for a second consecutive session.
- The **SGD NEER** is slightly softer on the day at around +1.06% above its perceived parity (1.3645) with NEER-implied USD-SGD thresholds a touch firmer in line with the broad dollar price action from overnight and early this morning in Asia. At current levels, the +1.50% NEER-implied USD-SGD threshold is estimated at around 1.3443 and +1.00% at around 1.3509. Given the immediate dollar environment in Asia, NEER-implied thresholds may continue to edge higher, lifting the USD-SGD, although the key 55-day MA (1.3591) remains a distance away.

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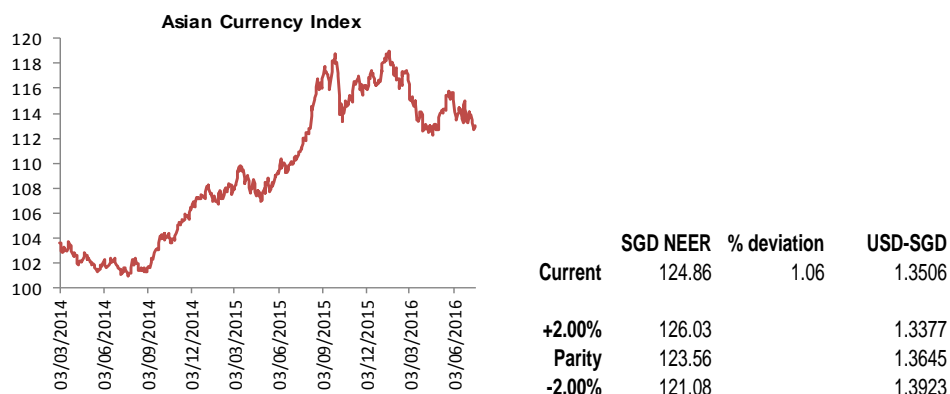
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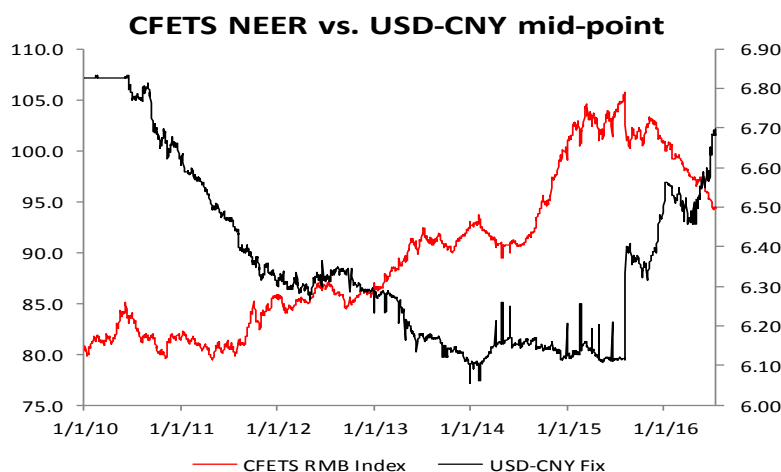
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Source: OCBC Bank

- The **CFETS RMB Index** fell slightly to 94.44 from 94.47 on Monday, with the USD-CNY mid-point coming in a touch lower than expected at 6.6971 compared to 6.6961 yesterday. With little excitement in the basket's constituent currencies of late, the USD-CNY fixes have had little cause for excitement, although the basket's depreciation trend remains intact at this juncture.



Source: OCBC Bank, Bloomberg

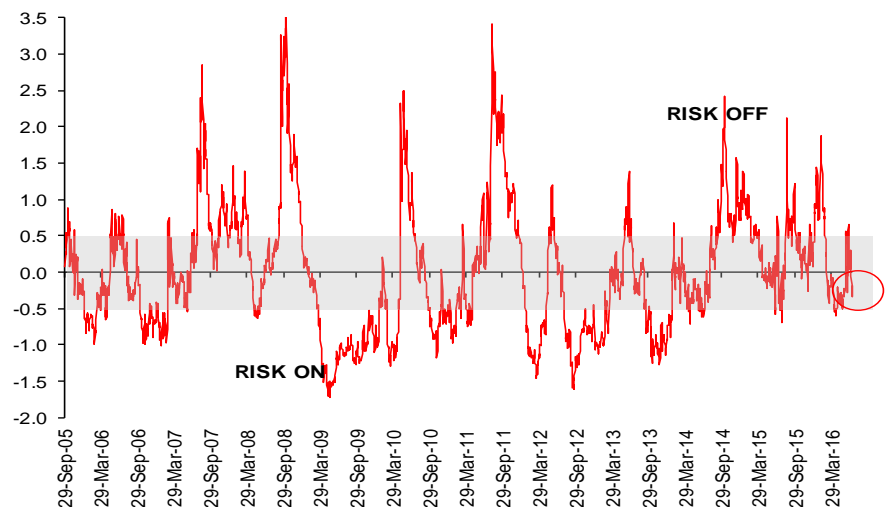
**G7**

- **EUR-USD** The ECB policy meeting on Thursday is expected to be a non-event although a generally dovish overtone may keep the EUR-USD reluctant to challenge its 200-day MA (1.1085) with the range still bounded by 1.1000 at this juncture..
- **USD-JPY** A stabilization in risk appetite (note negative JPY performance across the crosses on Monday) after the failure of the attempted coup in Turkey and mounting expectations of further BOJ easing at the end of July may see the USD-JPY brushing up against its 55-day MA (106.33) ahead of 107.00. However, risk appetite levels may remain fragile, and any renewed deterioration may underpin the JPY once again.
- **AUD-USD** The antipodeans may remain under near term pressure with

the NZD-USD collapsing through 0.7050 this morning after the RBNZ announced new mortgage lending restrictions late Monday. Barring undue risk aversion, the AUD-USD may attempt to base out around the 0.7500 neighborhood.

- GBP-USD** GBP-USD managed to firm slightly after the BOE's Weale on Monday displayed little urgency for a rate cut although we note expectations for a move in Aug or Sep remain rife. Multi-session, the pair may continue to base build within a 1.3000-1.3500 range pending further Brexit news flow.

### 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

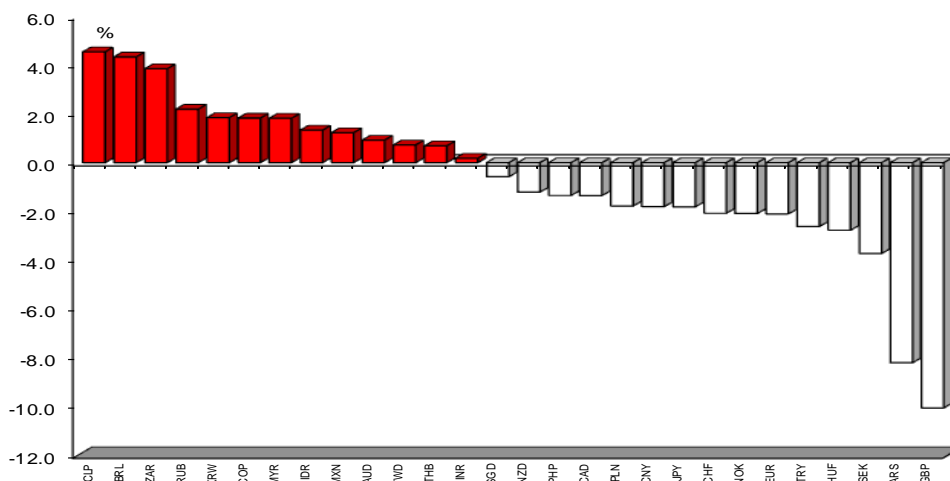
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0941	1.1000	1.1076	1.1085	1.1100
GBP-USD	1.2798	1.3200	1.3216	1.3300	1.4029
AUD-USD	0.7394	0.7500	0.7522	0.7600	0.7673
NZD-USD	0.6990	0.7000	0.7032	0.7100	0.7325
USD-CAD	1.2900	1.2946	1.2977	1.3000	1.3128
USD-JPY	99.92	105.00	105.85	106.00	106.19
USD-SGD	1.3361	1.3500	1.3507	1.3574	1.3576
EUR-SGD	1.4844	1.4900	1.4960	1.5000	1.5122
JPY-SGD	1.2556	1.2700	1.2761	1.2796	1.2800
GBP-SGD	1.7344	1.7800	1.7850	1.7900	1.9045
AUD-SGD	1.0100	1.0123	1.0160	1.0200	1.0292
Gold	1287.30	1300.00	1330.70	1377.50	1385.40
Silver	17.77	19.90	19.96	20.00	21.09
Crude	45.08	45.10	46.55	48.51	50.62

Source: OCBC Bank

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



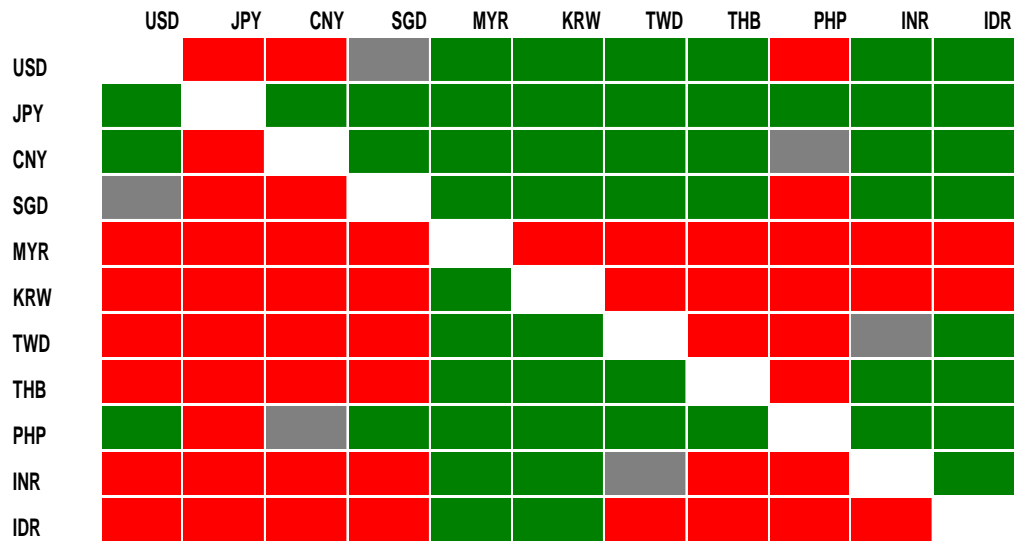
Source: Bloomberg

**G10 FX Heat Map**

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

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	28-Jun-16	S	EUR-USD	1.1057	1.0745	1.1215	Brexit uncertainty coupled with Euroskepticism		
2	28-Jun-16	S	GBP-USD	1.3306	1.2525	1.3700	Epicenter of Brexit concerns		
3	28-Jun-16	B	USD-CAD	1.2991	1.3355	1.2805	Concerns over the global deflationary impact from Brexit		
4	05-Jul-16	B	AUD-USD	0.7528	0.7815	0.7380	Search for yield amidst potential FOMC disappointment		
<b>STRUCTURAL</b>									
5	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate		
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	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		
9	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates		
<b>RECENTLY CLOSED</b>									
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	17-Jun-16	19-Jun-16	S	EUR-USD	1.1232	1.1350	Potential for negative spillover from the UK referendum	-1.03	
2	10-Jun-16	23-Jun-16	S	USD-JPY	107.16	105.50	Potential for USD weakness going into and post-FOMC	+1.57	
3	22-Jun-16	24-Jun-16	B	AUD-USD	0.7463	0.7335	Prep for relief rally post UK EU referendum	-1.74	
4	10-Jun-16	24-Jun-16	S	USD-SGD	1.3546	1.3670	SGD remains reactive to potential USD vulnerability	-0.91	
5	12-Apr-16	27-Jun-16	S	USD-CAD	1.2895	1.3025	Stabilizing crude, soft USD, sanguine BOC	-0.98	
6	28-Jun-16	12-Jul-16	S	USD-JPY	102.19	97.60	104.50	Potential for further risk aversion	-2.25

Source: OCBC Bank

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