

**Tuesday, September 20, 2016**

**FX Themes/Strategy/Trading Ideas**

- Despite firmer UST yields, the majors scrapped higher against the dollar on Monday ahead of the BOJ/FOMC. Meanwhile, the antipodeans outperformed across the board on improved global sentiment while moderating expectations towards the BOJ MPC saw the JPY pulling higher against its G10 counterparts. Elsewhere, positive global equities/commodities pulled the **FXSI (FX Sentiment Index)** slightly lower within Risk-Neutral territory on Monday. Going ahead, two-way price action risks may be expected to persist with investors likely to trade with the ebb and flow of headlines and positioning.

**Asian FX**

- The greenback may continue to hold the cards in the current environment and the regional pairs are expected to be wary of excessive downside probes in the near term. As such, the **ACI (Asian Currency Index)** may remain poised to head higher after softening slightly on Monday.
- The **SGD NEER** has surfaced back above its perceived parity (1.3641) at +0.13% with the dollar hesitating slightly overnight with NEER-implied USD-SGD thresholds slightly lower on the day. At current levels, -0.50% corresponds to 1.3710 while +0.50% is seen at 1.3574. Technically, we see the pair trapped within its 100-day MA (1.3562) and its 200-dya MA (1.3734) with tail risk of a bounce higher as we head into the FOMC.

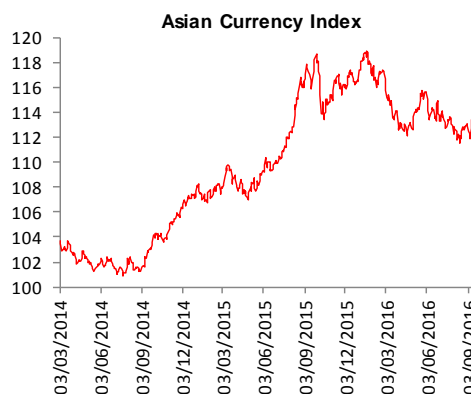
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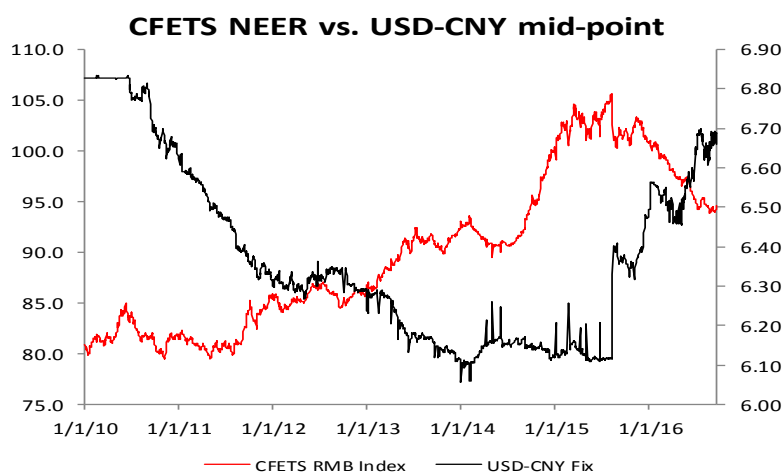


Source: OCBC Bank

	SGD NEER	% deviation	USD-SGD
Current	123.75	0.16	1.3620
+2.00%	126.03		1.3374
Parity	123.56		1.3641
-2.00%	121.08		1.3920

- This morning, the **CFETS RMB Index** firmed slightly to 94.63 from 94.56 as the USD-CNY mid-point dipped (largely in line with expectations) to 6.6595

from 6.6786 a day earlier. Outside of the volatility surrounding short-term funding costs for the CNH, evidence is mounting that the discretionary depreciation of the NEER is stalling for now.

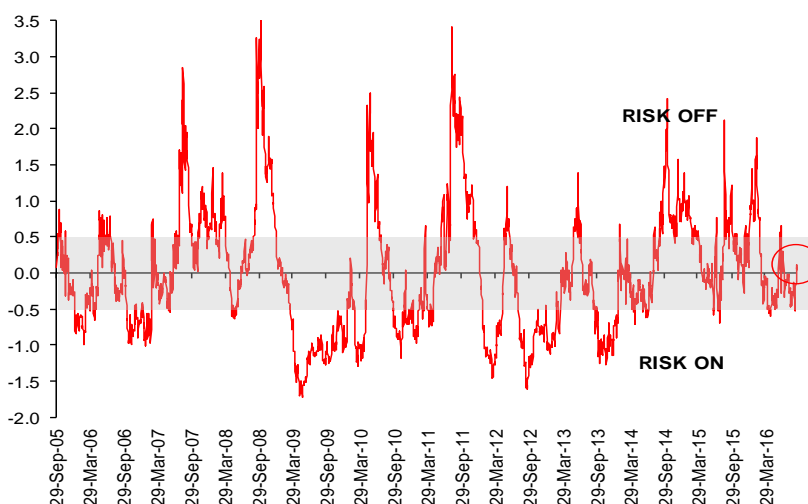


Source: OCBC Bank, Bloomberg

## G7

- **EUR-USD** With yield differentials weighing, EUR-USD may remain top heavy into the FOMC while on the macro front, the Bundesbank has also warned that the economy could slow into 3Q 16. At this juncture, the 55-day MA (1.1157) and the 200-day MA (1.1148) we think remain at risk, while the upside for the pair may be covered by the 100-day MA (1.1199).
- **USD-JPY** At the BOJ MPC outcome tomorrow (note expectations for new stimulus measures has faded somewhat in recent sessions), markets will be awaiting the central bank's assessment of its QQE track record and any new shifts in policy emphasis tomorrow. Despite yield differentials arguing for a firmer profile for the USD-JPY in the near term, two-way risks remain apparent heading into tomorrow. In the interim, the pair may remain trapped by 101.40 on the downside while the 55-day MA (102.62) may cap.
- **AUD-USD** Our Heat Map remains suspicious towards AUD resilience at this juncture although the absence of undue bearishness out of the RBA meeting minutes this morning may lend some background support to the AUD-USD. Despite recent moves in yield differentials in favor of the AUD, the pair may remain cautious towards the potential for a dollar snap higher in the short term, keeping the AUD-USD trapped in recent ranges. The 55-day MA (0.7578) continues to shelter from above while the 100-day MA (0.7479) may be expected to provide an initial floor on dips.
- **GBP-USD** GBP-USD managed to bounce off the 1.3000 floor on Monday amidst a broad dollar retreat. There is little from the domestic calendar to distract today and the pair may remain bouncing in recent ranges. First resistance is expected towards the 55-day MA (1.3149) with 1.2900 seen cushioning for now.

### 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

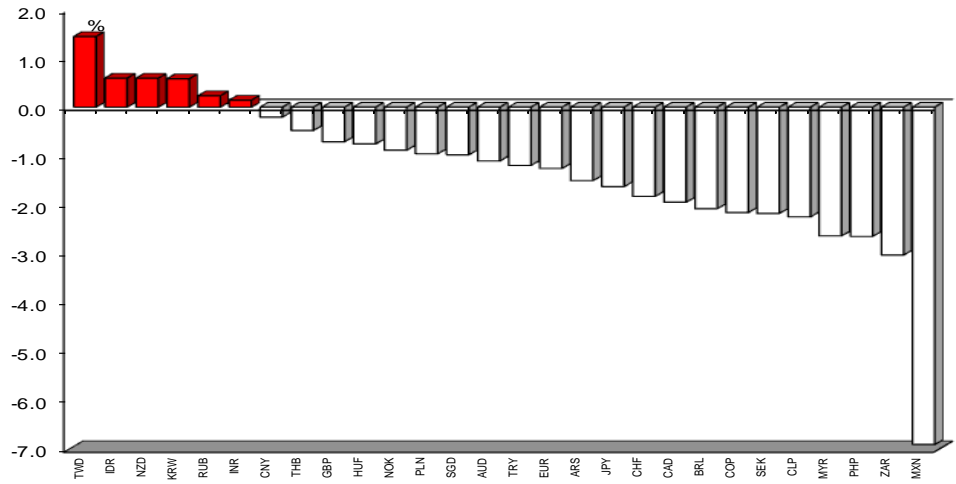
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1148	1.1166	1.1177	1.1200	1.1296
GBP-USD	1.2980	1.3000	1.3044	1.3100	1.3163
AUD-USD	0.7442	0.7500	0.7540	0.7579	0.7600
NZD-USD	0.7213	0.7300	0.7310	0.7400	0.7422
USD-CAD	1.3035	1.3200	1.3203	1.3248	1.3257
USD-JPY	100.58	101.00	101.99	102.00	102.67
USD-SGD	1.3511	1.3600	1.3624	1.3694	1.3698
EUR-SGD	1.5100	1.5200	1.5228	1.5296	1.5300
JPY-SGD	1.3166	1.3300	1.3360	1.3400	1.3492
GBP-SGD	1.7700	1.7709	1.7771	1.7784	1.7800
AUD-SGD	1.0200	1.0239	1.0272	1.0300	1.0351
Gold	1300.00	1302.10	1313.70	1332.75	1347.14
Silver	18.37	19.10	19.16	19.20	19.58
Crude	42.04	43.00	43.05	43.10	44.88

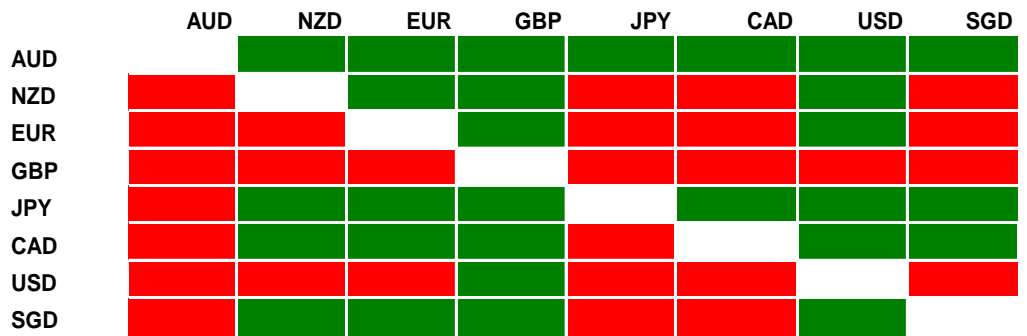
Source: OCBC Bank

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



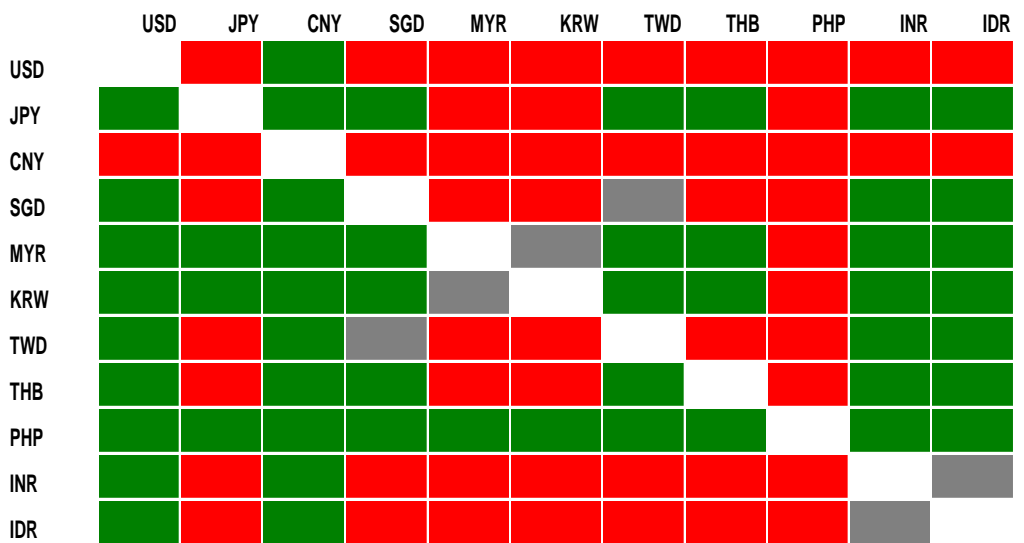
Source: Bloomberg

**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	25-Aug-16	B	GBP-USD	1.3210	1.4055 1.2785	Moderating short term pessimism	
2	25-Aug-16	B	USD-SGD	1.3527	1.3780 1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
3	01-Sep-16	B	USD-JPY	103.33	108.15 100.90	Ahead of NFP numbers and BOJ MPC	
4	15-Sep-16	B	USD-CAD	1.3202	1.3535 1.3030	Fading crude, soft macro outlook, ahead of FOMC	
<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	14-Jun-16	S	USD-SGD	1.3542	1.2815 1.3910	USD expected to disappoint on the back of the summer FOMCs	
8	04-Jul-16	S	USD-JPY	102.58	91.85 107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
9	26-Jul-16	S	GBP-USD	1.3120	1.1555 1.3905	Macro pain of a potential Brexit	
10	25-Aug-16	S	USD-CAD	1.2918	1.1960 1.3400	Stabilizing global macro, potential traction for oil	
<b>RECENTLY CLOSED</b>							
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	05-Aug-16 23-Aug-16	S	USD-SGD	1.3409	1.3498	Flight to yield/EM vs. weak dollar	-0.66
2	08-Aug-16 25-Aug-16	B	AUD-USD	0.7611	0.7610	Opportunity for a tactical long on assumption of transient USD	0.01
3	18-Aug-16 26-Aug-16	S	USD-CAD	1.2813	1.2985	Recovering oil vs fading FOMC prospects	-1.33
4	11-Aug-16 30-Aug-16	S	USD-JPY	101.22	101.96	Fading dollar coupled with potential risk aversion	-0.80
5	12-Apr-16 07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclicals, search for yield	8.37
6	04-Aug-16 19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
<b>Jan-Aug 2016 Return</b>							<b>+7.80</b>

Source: OCBC Bank

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