

Thursday, October 20, 2016

### FX Themes/Strategy/Trading Ideas

- With the Beige Book offering little additional guidance, the USD ended flat to weaker across G10 space on Wednesday with the antipodeans lifting while the EUR-USD slipped ahead of the ECB meeting on Thursday. Elsewhere, despite firmer crude, a downward revision to growth forecasts and dovish comments from the Bank of Canada's Poloz lifted the USD-CAD.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** softened within **Risk-Neutral** on Wednesday amidst a positive global equity landscape but not that the disappointing Aussie labor market numbers this morning is channeling interest into the greenback instead. On other fronts, look towards potential headline risks from the third and final Presidential debate during the Asian morning.
- With the broad dollar continuing to hesitate, our 12 Oct 16 idea to be tactically short **AUD-USD** (spot ref: 0.7585) was stopped out on Wednesday at 0.7690 for an implied -1.38% loss.

### Asian FX

- The Asian currency pairs may remain trapped in a range in the current dollar environment and instead respond to domestic influences in the interim. The **ACI (Asian Currency Index)** is thus expected to remain top heavy for the third consecutive session barring any deterioration of risk appetite. On the central bank front, we expect **Bank Indonesia** to cut its benchmark 7-day reverse repo by 25bps to 4.75% today.
- **SGD NEER:** The SGD NEER continues to inch lower on the day and is currently around -0.53% below its perceived parity (1.3786). Despite NEER-implied USD-SGD thresholds softening, the reluctance of the USD-SGD on the downside continues to pull the SGD NEER south. At current levels, the -0.50% threshold corresponds to 1.3856 and -1.00% at 1.3926, with risks towards -0.60% likely on the cards in the current environment. Technically, the USD-SGD may continue to resist gravity within 1.3835-1.3895.

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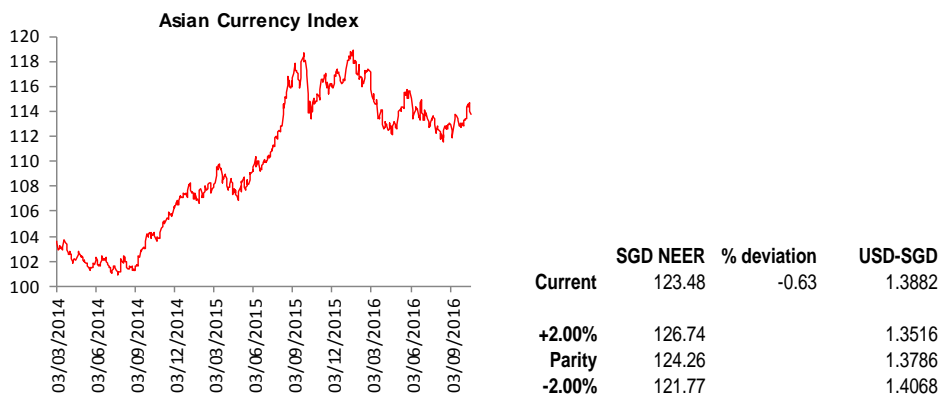
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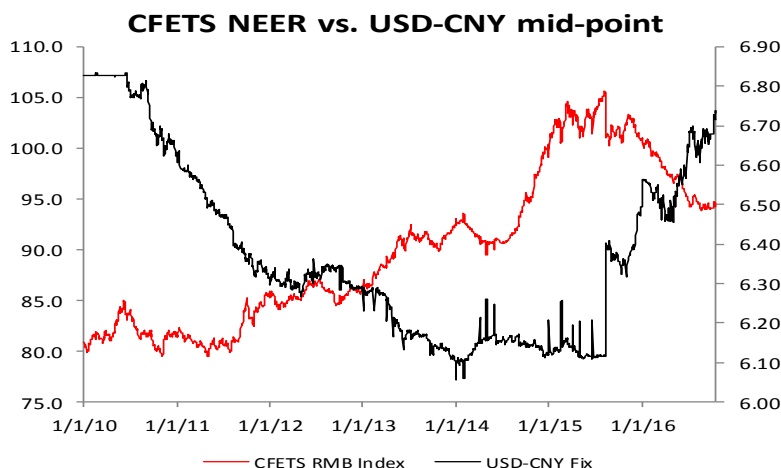
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Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY fell (as expected) to 6.7311 from 6.7326 on Wednesday. This had the effect of pulling the **CFETS RMB Index** to 94.28 compared to 94.38 at yesterday's fix. We will continue to monitor for any breach of the 94.00 level in the coming sessions.



Source: OCBC Bank, Bloomberg

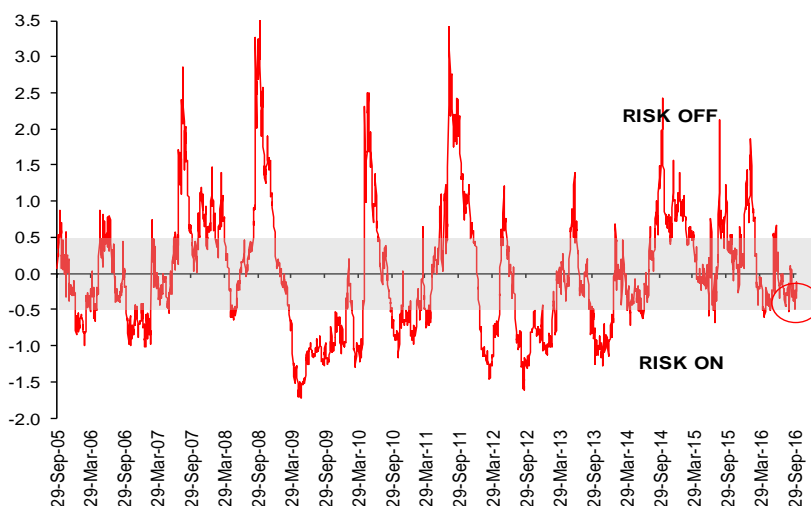
**G7**

- EUR-USD** The ECB meeting today (1145 GMT and press conference at 1230 GMT) will be the primary focus for the EUR-USD. Background expectations for Draghi to push back against recent chatter about taper may keep the pair heavy within 1.0900-1.1000 in the interim.
- USD-JPY** With the fervor surrounding FOMC-related expectations subsiding a little in recent sessions, the USD-JPY may continue to seek out its 100-day MA (103.07) with 104.00 seen capping for now. Apart from the Oct Philly Fed, Sep existing home sales and weekly initial claims numbers, look to the Fed's Dudley at 1230 GMT.
- AUD-USD** After deriving implicit support from China's GDP numbers and improved risk appetite on Wednesday, disappointing Sep labor market numbers (-9.8k vs. +15.0k exp) this morning dragged the pair back below 0.7700 in Asia on Thursday. Going ahead, if global risk appetite levels

remain appropriately sanguine, a 0.7675-0.7735 range may prevail pending external cues.

- GBP-USD** Today, expect potential negative headline risk for the pound as PM Theresa May attends the 2-day EU Summit. On other fronts, UK Sep retail sales numbers may provide some domestic distraction and cable may continue to flat line while awaiting further Brexit-related headlines.

### 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

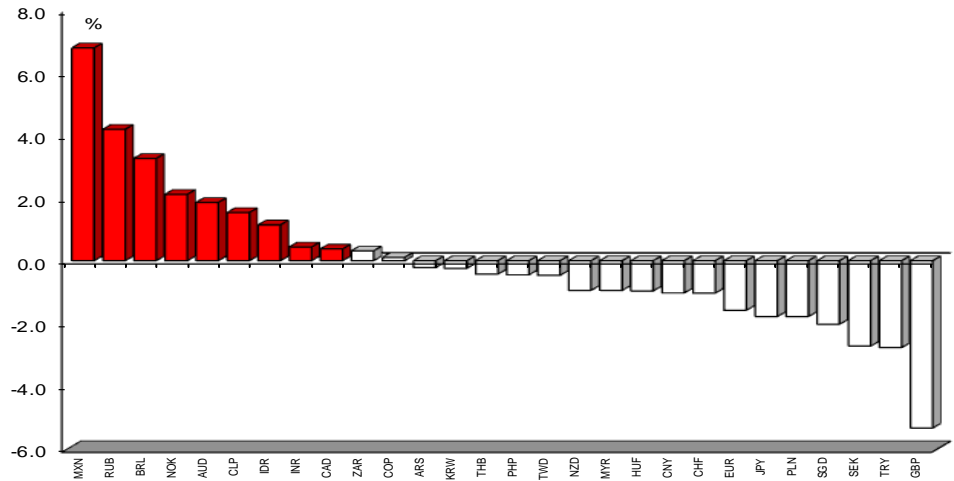
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0914	1.0955	1.0974	1.1000	1.1174
GBP-USD	1.1905	1.2200	1.2297	1.2300	1.2921
AUD-USD	0.7600	0.7604	0.7694	0.7700	0.7722
NZD-USD	0.7035	0.7200	0.7244	0.7248	0.7300
USD-CAD	1.3073	1.3100	1.3142	1.3166	1.3200
USD-JPY	102.06	103.00	103.55	104.00	104.64
USD-SGD	1.3673	1.3800	1.3887	1.3900	1.3930
EUR-SGD	1.5200	1.5224	1.5240	1.5274	1.5300
JPY-SGD	1.3342	1.3400	1.3412	1.3500	1.3572
GBP-SGD	1.6599	1.7000	1.7077	1.7100	1.7589
AUD-SGD	1.0600	1.0670	1.0685	1.0700	1.0718
Gold	1249.50	1265.53	1267.90	1300.00	1311.54
Silver	17.33	17.70	17.72	17.80	18.85
Crude	47.45	51.40	51.44	51.50	51.93

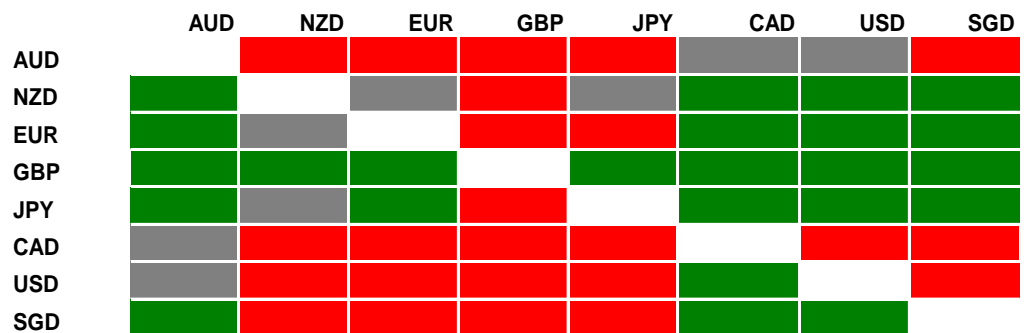
Source: OCBC Bank

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



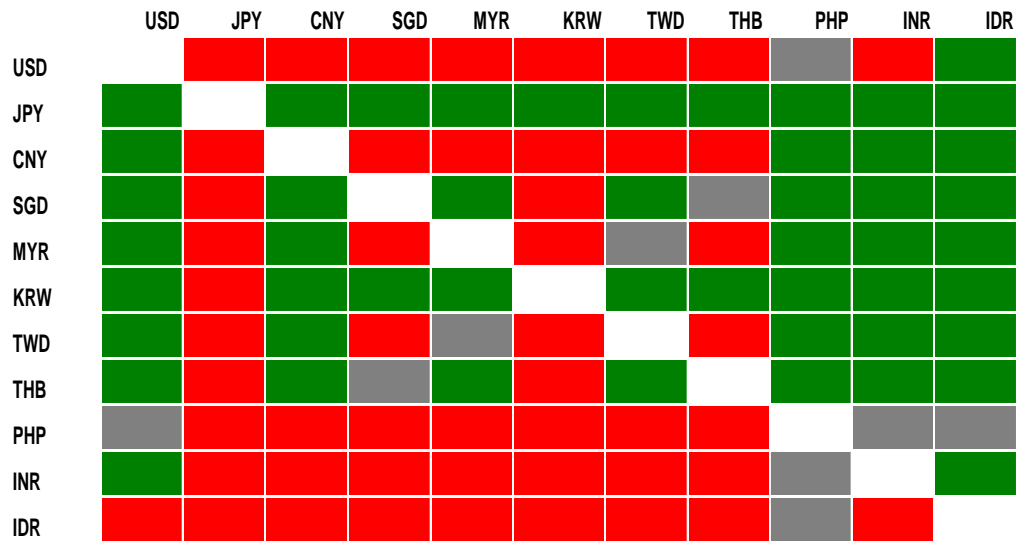
Source: Bloomberg

**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	USD-SGD	1.3527	1.4040	1.3645	Moderating net inflows in Asia, potential for broad USD uptick	
2	05-Oct-16	S	EUR-USD	1.1222	1.0830	1.1125	Fade ECB-taper talk, potential US resilience	
3	06-Oct-16	B	USD-JPY	103.48	106.95	101.70	Sensitivity to USD dynamics, yield differentials, sanguine risk	
4	12-Oct-16	S	GBP-USD	1.2271	1.1815	1.2505	Fade GBP-USD upticks	
<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	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
2	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.36
3	25-Aug-16	29-Sep-16	B	GBP-USD	1.3210	1.3040	Moderating short term pessimism	-1.32
4	29-Sep-16	04-Oct-16	S	USD-JPY	101.65	101.77	Skepticism towards Fed/BOJ	-0.14
5	29-Sep-16	06-Oct-16	B	AUD-USD	0.7685	0.7575	Position for sustained positive risk appetite	-1.44
6	04-Oct-16	07-Oct-16	S	GBP-USD	1.2814	1.2393	Article 50 jitters coupled with pre-NFP USD resilience	3.52
7	14-Jun-16	10-Oct-16	S	USD-SGD	1.3542	1.3718	USD expected to disappoint on the back of the summer FOMCs	-1.08
8	25-Aug-16	10-Oct-16	S	USD-CAD	1.2918	1.3230	Stabilizing global macro, potential traction for oil	-2.36
9	07-Oct-16	19-Oct-16	B	USD-CAD	1.3256	1.3104	Correlation breakdown between CAD and crude, USD support	-1.15
10	04-Jul-16	19-Oct-16	S	USD-JPY	102.58	103.88	Yield differentials to weigh on the pair, esp if Fed hesitates	-1.59
11	12-Oct-16	19-Oct-16	S	AUD-USD	0.7585	0.7690	"Yield" may be subjugated by dollar	-1.38
<b>Jan-Sep 2016 Return</b>								<b>+8.27</b>

Source: OCBC Bank

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