

**Monday, March 21, 2016**

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

- The greenback stabilized into the end of last week and regained some composure against the majors on Friday. Going into this week however, the broad dollar may have its work cut out for it with markets likely to revert to data watching and keeping an ear out for global central bank rhetoric. Structurally, policy dichotomy between the Fed and its G7 counterparts we think remains in play over the medium term although this dynamic may continue to stall in the near term following last week's FOMC.
- On the risk appetite front, increasingly positive sentiment may potentially still drive a wedge against any USD resilience if commodities/equities retain their buoyancy from last week. The **FXSI (FX Sentiment Index)** inched lower on Friday to end lower on the week.
- On the **CFTC** front, implied net large non-commercial and leveraged positioning saw aggregate long dollar positioning dip in the latest week, with the numbers pre-dating the FOMC last week. Post-FOMC, long dollar positioning is expected to have lightened up further into the end of last week.

### **Asian FX**

- USD-Asia and the **ACI (Asian Currency Index)** may consolidate (bottom out) slightly at the onset of the week pending further global cues, with the higher than expected **USD-CNY** mid-point this morning expected to partially discourage regional dollar shorts in the near term. On the central bank front, the Bank of Thailand and the BSP convene on Wednesday while the CBC meeting is on Thursday. Expect suitably dovish and guarded rhetoric to emerge from the regional central banks with no change in policy rates expected this week.
- The **SGD NEER** starts the week a tad softer relative to its perceived parity (1.3645) at around +0.39% this morning. NEER-implied USD-SGD thresholds are slightly higher on the day with the +0.50% threshold at approximately 1.3578. In the interim, expect the pair to orbit the 1.3600 neighborhood pending further headline risks.
- The **USD-CNY** mid-points in recent sessions continue to be revealing with respect to official policy intent. Essentially, policy guidance with respect to the CNY NEER remains asymmetric at this juncture we believe, with the index likely to be kept be inherently suppressed regardless of overall movements in the basket's constituent currencies. This morning, the mid-point was set at a higher than expected 6.4824, compared to 6.4628 last

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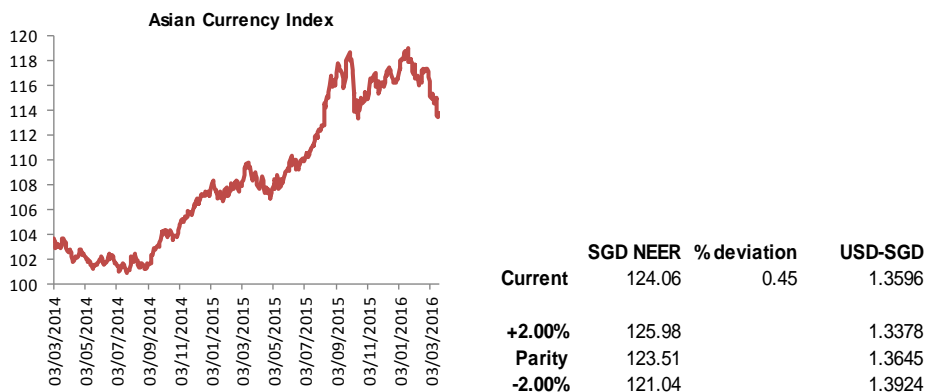
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Friday. This leaves the CFET RMB Index at a lower than expected 98.08 relative to 98.04 last Friday. As such, we see risks for the index to eventually bleed towards the 97.00 neighborhood.

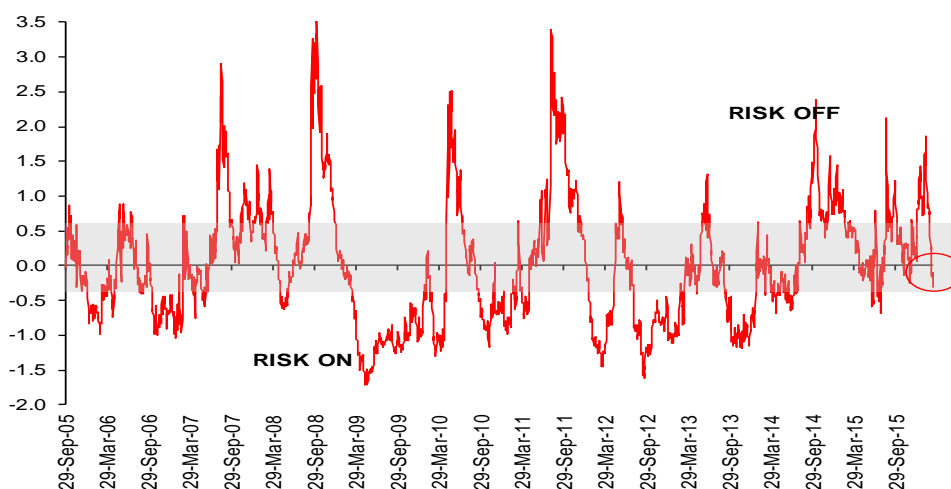


Source: OCBC Bank

**G7**

- EUR-USD** The ECB’s Praet underscored the ECB’s dovish slant on Friday although this failed to significantly dilute EUR resilience against the USD. On the CFTC front, note that net leveraged EUR shorts were increased in the latest week while data risks from both sides of the Atlantic while Fed-speak may prove crucial, with Lacker, Lockhart, Evans, and Bullard scheduled to speak this week. In the interim, we expected a supported tone within 1.1200-1.1400.
- USD-JPY** TKY is away for a long weekend today but the pair may remain largely capped at the onset of the week. Excessive downside probes may be discouraged by fears of official discomfort despite net leveraged JPY CFTC longs accumulating further in the latest week. At this juncture, the 112.00 level would have to be overcome to neutralize the pair’s top heavy posture.
- AUD-USD** Appearances by the RBA’s Edey and Stevens on Tuesday may shed more domestic light on the AUD-USD and the pair may remain largely driven by risk appetite fluctuations in the interim. On the CFTC front, net leveraged AUD longs firmed significantly in the latest week and the AUD-USD may look to bounce on any dips into the 0.7500-0.7550 zone in the near term.
- GBP-USD** The emergency Cabinet reshuffle over the weekend following the resignation of the Work and Pensions Secretary may continue to keep Brexit concerns simmering in the background. On the CFTC front, net leveraged GBP shorts were pared significantly in the latest week but we look to further cues from the BOE’s Forbes (Tues) and Bailey (Wed) at their appearances this week. GBP-USD may refrain from breaching the 1.4500 ceiling in the near term although the 55-day MA (1.4319) is expected to support.

### 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

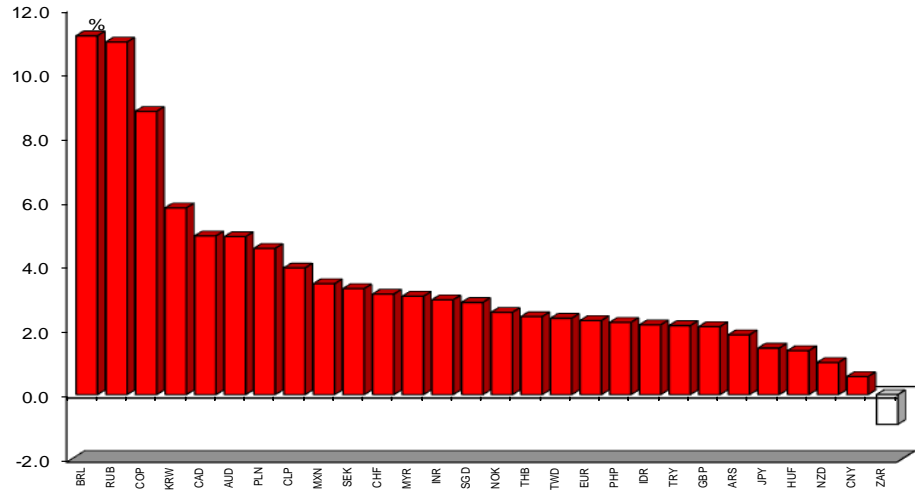
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1042	1.1200	1.1283	1.1300	1.1331
GBP-USD	1.4290	1.4400	1.4448	1.4500	1.4554
AUD-USD	0.7240	0.7500	0.7581	0.7600	0.7680
NZD-USD	0.6613	0.6700	0.6763	0.6800	0.6842
USD-CAD	1.2924	1.3000	1.3059	1.3100	1.3338
USD-JPY	111.00	111.25	111.31	112.00	114.66
USD-SGD	1.3485	1.3600	1.3606	1.3700	1.3976
EUR-SGD	1.5091	1.5300	1.5351	1.5400	1.5431
JPY-SGD	1.2194	1.2200	1.2224	1.2300	1.2535
GBP-SGD	1.9458	1.9600	1.9657	1.9700	1.9768
AUD-SGD	1.0114	1.0300	1.0315	1.0400	1.0423
Gold	1200.00	1215.79	1253.00	1279.24	1287.80
Silver	14.93	15.70	15.80	15.80	16.05

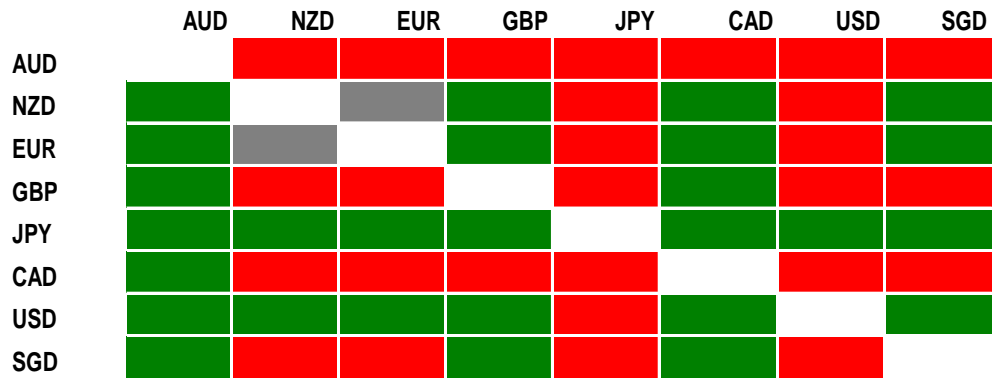
Source: OCBC Bank

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



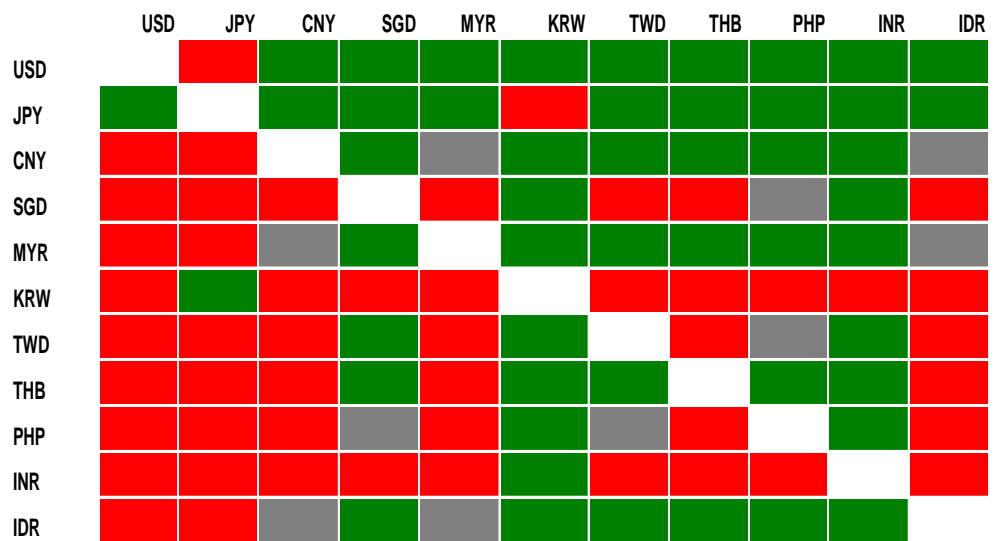
Source: Bloomberg

**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	29-Feb-16	S	USD-CAD	1.3533	1.2745	1.3330	Bottoming crude	
2	03-Mar-16	B	AUD-USD	0.7284	0.7835	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie data surprises.	
3	04-Mar-16	S	USD-SGD	1.3881	1.3380	1.3755	Brightening risk appetite, vulnerable broad dollar	
4	18-Mar-16	B	EUR-USD	1.1321	1.1660	1.1150	Tilt in policy balance after ECB and FOMC	
STRUCTURAL								
5	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
6	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
7	18-Feb-16	S	USD-SGD	1.4034	1.3435	1.4335	USD vulnerability, stabilization in RMB, equities/commodities	
8	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
9	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
RECENTLY CLOSED								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	08-Jan-16	22-Feb-16	B	EUR-USD	1.0888	1.1045	Risk of Fed/dollar "disappointment"	+1.42
2	18-Feb-16	24-Feb-16	S	USD-CAD	1.3655	1.3855	Potential for crude to consolidate higher	-1.45
3	26-Feb-16	03-Mar-16	S	GBP-USD	1.3985	1.4170	Slightly dovish BOE stance, referendum concerns.	-1.31
4	19-Feb-16	07-Mar-16	S	USD-JPY	112.84	113.35	Iffy FOMC & background risk aversion	-0.45
5	29-Feb-16	10-Mar-16	S	EUR-USD	1.0923	1.1070	Contrasting short term data streams between EZ and US	-1.29
6	14-Mar-16	15-Mar-16	B	GBP-USD	1.4380	1.4180	Abating Brexit concerns, potential for Yellen to underwhelm	-1.41

Source: OCBC Bank

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