

Tuesday, June 21, 2016

FX Themes/Strategy/Trading Ideas

- In the coming sessions, expect markets to continue to trade off Brexit-risk appetite headlines, with friendlier looking UK-related headlines in the past two sessions with the **FXSI (FX Sentiment Index)** collapsing lower (improving risk appetite levels) fairly quickly within Risk-Neutral territory during the same period.
- Beyond the Brexit static, we retain our view that the broad dollar remains at a disadvantage on the back of the Fed's current posture, with our structural ideas (pls refer to table on the back page) continuing to reflect potential for further USD vulnerability.

Asian FX

- The **Asian Currency Index (ACI)** may remain top heavy in the current environment, especially with positive investor sentiment looking slightly buffered.
- The **SGD NEER's** relative position is a touch softer on the day this morning at +1.03% above its perceived parity (1.3566). NEER-implied USD-SGD thresholds are also slightly lower on the day, implying that the USD-SGD's downside has been afforded by its constituent currencies. At current levels, the +1.00% threshold is estimated at 1.3432 while +1.50% is estimated at 1.3366. With volatility indicators not at excessive levels, USD-SGD downside potential may remain visible (basket constituents permitting). The only caveat would be the relatively firmer position of the NEER relative to its midpoint at this juncture.

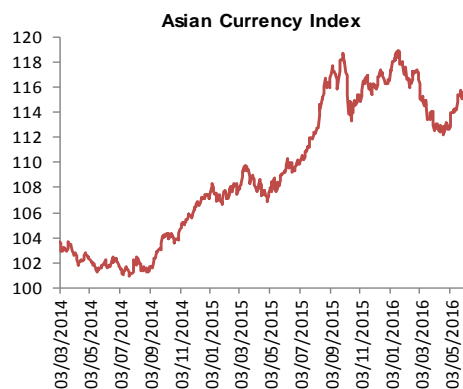
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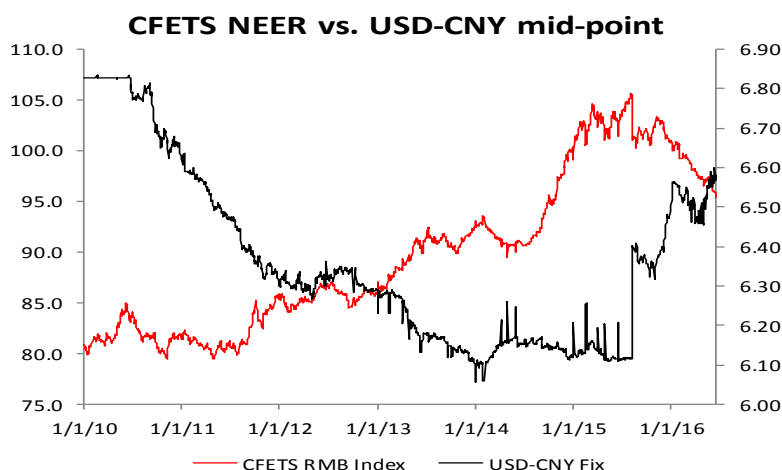
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	SGD NEER	% deviation	USD-SGD
Current	124.75	0.97	1.3432
+2.00%	126.03		1.3300
Parity	123.56		1.3566
-2.00%	121.08		1.3843

Source: OCBC Bank

- This morning, the **CFETS RMB Index** eased further for the second consecutive session to 95.40 from 95.54 on Monday, resulting in the USD-CNY mid-point softening to 6.5656 from 6.5708 yesterday. Structurally, the CFETS RMB Index continues to push the boundaries on the downside, with the basket at its lowest point in the year to date and having depreciated -5.50% in the year to date. We think this discretionary push lower still has legs yet, and the 95.00 level remains on the cards.

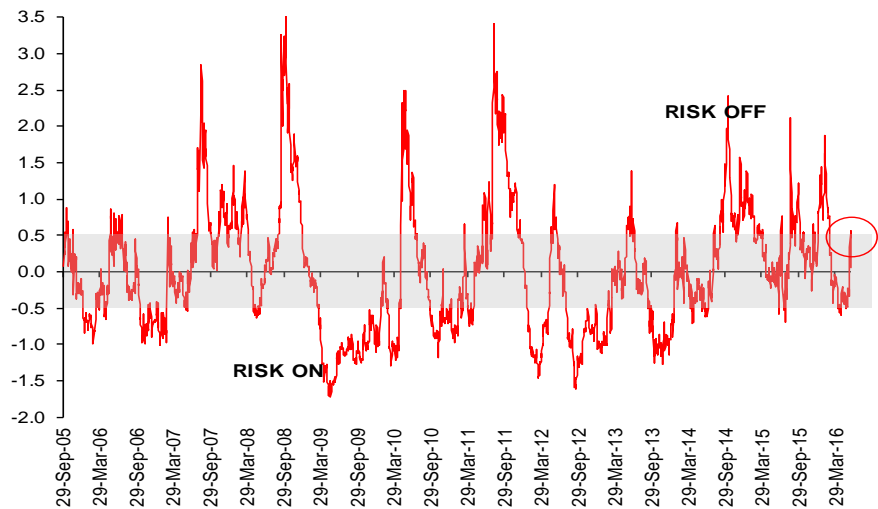


Source: OCBC Bank, Bloomberg

G7

- **EUR-USD** The EUR-USD may remain sideline in the near term, plying it's now familiar 1.1200-1.1400 range. The pair remains caught between dollar vulnerability and Brexit concerns. On a related note, EUR-crosses may also continue to present a drag on potential upside for the EUR-USD in the near term. The EUR-CHF may run out of puff in the very short term towards its 200-day MA (1.0926) while the EUR-JPY may top out around 118.00 pending an abandonment of investor caution ahead of Thursday.
- **USD-JPY** With underlying dollar vulnerability (mixed with background investor caution) still a mainstay, USD-JPY may remain confined to a softening profile in the near term. Beyond 104.00, the most recent low around 103.55 may continue to attract despite ongoing official Japanese rhetoric.
- **AUD-USD** RBA MPC minutes came across as somewhat neutral this morning and in the current market context, may encourage the AUD-USD top search higher. The pair is sitting atop its 55-day MA (0.7449) and any ability to base build (pending Brexit headlines) may pave the way towards 0.7615 multi-session.
- **GBP-USD** GBP-USD may be expected to pause at current levels after having bounced sharply over the past week. Technically, the pair may not be ready to breach its 200-day MA (1.4683) on a sustained basis pending the referendum.

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXEX	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

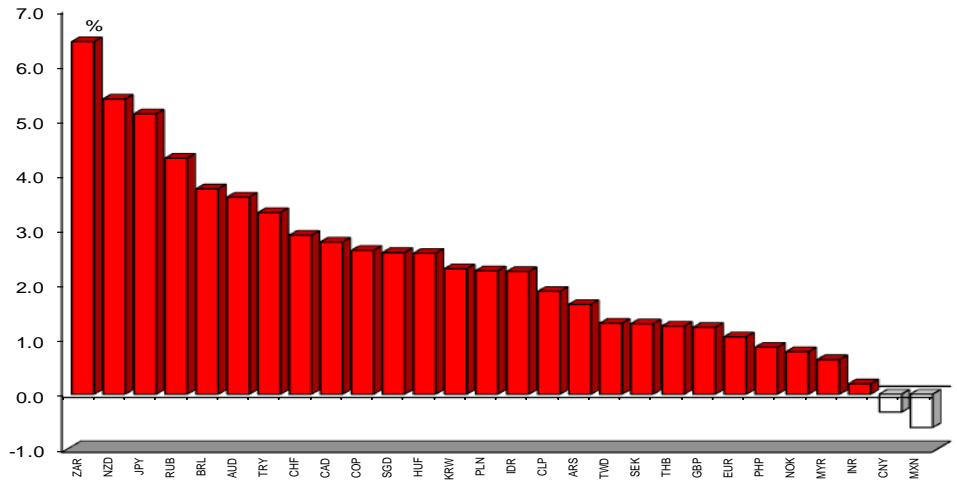
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1297	1.1300	1.1337	1.1400	1.1424
GBP-USD	1.4454	1.4600	1.4660	1.4683	1.4700
AUD-USD	0.7400	0.7433	0.7481	0.7500	0.7505
NZD-USD	0.6883	0.7100	0.7123	0.7148	0.7200
USD-CAD	1.2655	1.2700	1.2795	1.2800	1.2856
USD-JPY	103.00	103.55	103.94	104.00	108.37
USD-SGD	1.3400	1.3420	1.3433	1.3500	1.3598
EUR-SGD	1.5129	1.5200	1.5229	1.5300	1.5359
JPY-SGD	1.2554	1.2900	1.2924	1.2990	1.3000
GBP-SGD	1.9600	1.9652	1.9692	1.9700	2.0313
AUD-SGD	0.9881	1.0000	1.0049	1.0080	1.0100
Gold	1200.00	1258.28	1290.50	1300.00	1316.34
Silver	16.92	17.50	17.53	17.60	17.88
Crude	47.06	49.10	49.16	49.20	51.13

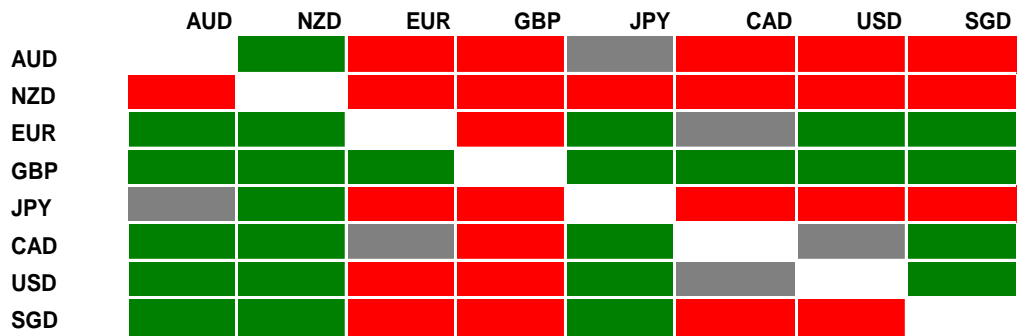
Source: OCBC Bank

FX performance: 1-month change agst USD



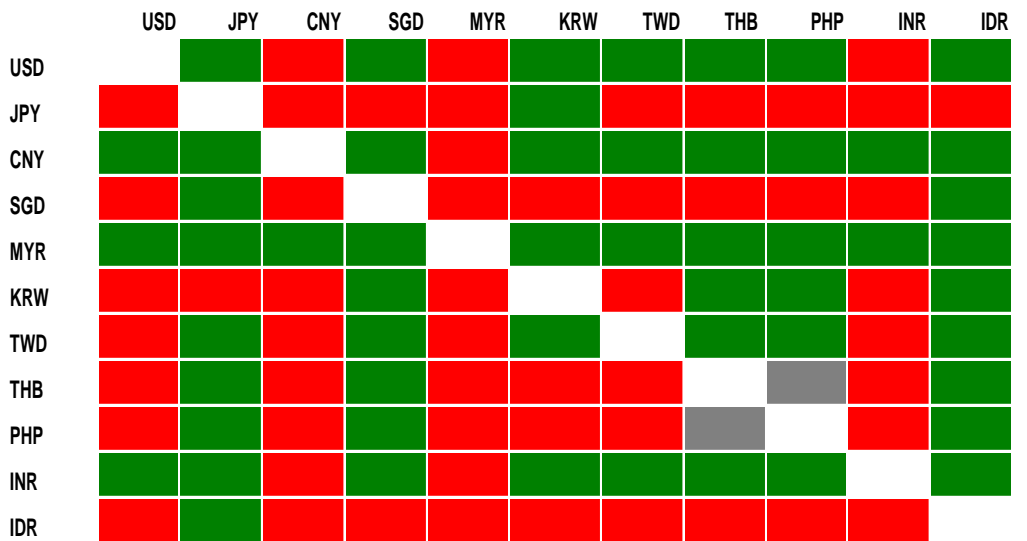
Source: Bloomberg

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		
TACTICAL									
1	10-Jun-16	S	USD-JPY	107.16	100.65	105.50	Potential for USD weakness going into and post-FOMC		
2	10-Jun-16	S	USD-SGD	1.3546	1.3300	1.3670	SGD remains reactive to potential USD vulnerability		
STRUCTURAL									
3	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate		
4	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations		
5	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC		
6	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield		
7	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs		
RECENTLY CLOSED									
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	18-May-16	03-Jun-16	B	GBP-USD	1.4438	1.4414	Potential for bounce post-referendum	-0.17	
2	19-May-16	03-Jun-16	S	EUR-USD	1.1224	1.1370	Policy dichotomy play, especially after FOMC minutes	-1.24	
3	19-May-16	03-Jun-16	B	USD-JPY	110.01	108.25	Policy dichotomy play, especially after FOMC minutes	-1.59	
4	09-May-16	07-Jun-16	B	USD-CAD	1.2929	1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53	
5	09-May-16	08-Jun-16	B	USD-SGD	1.3623	1.3520	Potential for USD strength ahead of Fed-speak	-0.83	
6	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626	0.7490	Negativity post 1Q CPI numbers	1.64	
7	01-Mar-16	16-Jun-16	S	USD-JPY	112.91	105.00	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	+7.18	
8	14-Jun-16	17-Jun-16	S	GBP-USD	1.4153	1.3785	1.4340	Potential for further downside going into EU referendum	-1.3

Source: OCBC Bank

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