

Tuesday, March 22, 2016

**FX Themes/Strategy/Trading Ideas**

- The majors dripped lower against the dollar (supported by higher UST yields) on Monday especially after hawkish comments (essentially damage control) from the Fed's Lockhart, Williams, Lacker, and Bullard.
- Look to further commentary from the Fed's Evans and Harker later today and if the ensuing comments continue to be hawkish, expect further dilution of dollar vulnerability in the near term despite an improvement in risk appetite levels. Note that the **FXSI (FX Sentiment Index)** continued to edge lower within Risk-Neutral territory on Monday.

**Asian FX**

- Expect regional currencies to be on the defensive against the USD and the **ACI (Asian Currency Index)** to continue to edge higher for the second session this week with the calendar in Asia fairly sparse today.
- The **SGD NEER** is trading around +0.32% above its perceived parity this morning with NEER-implied USD-SGD thresholds slightly higher on the day following overnight price action in the majors. At current levels, the +0.50% NEER threshold resides at around 1.3600 and the +1.00% threshold is estimated at 1.3535.
- The **USD-CNY** mid-point this morning was set higher than expected at 6.4971 compared to 6.4824 on Monday. This implies a CFETS RMB Index at a lower than expected 98.06 from 98.08 yesterday. Today's fix we believe is further affirmation of the official intent to keep the Index suppressed. The offshoot then is that if the broad dollar continues to gain traction, the USD-CNY fixes under this regime would continue to exhibit a more than proportionate tendency to climb.

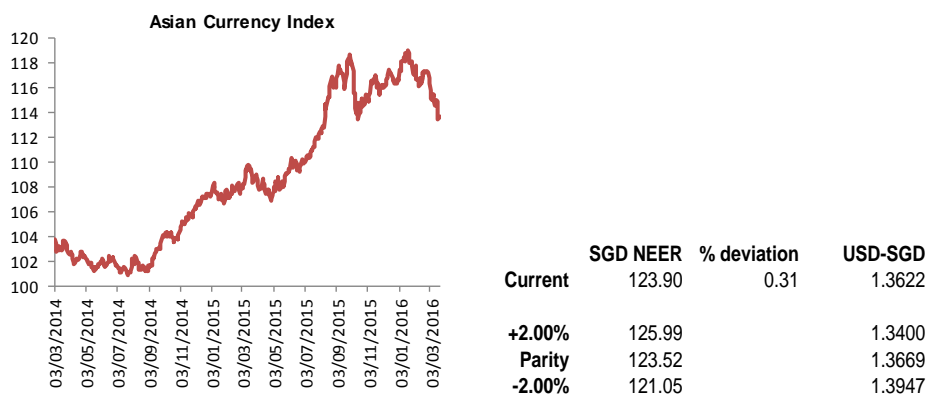
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**Emmanuel Ng**  
+65 6530 4073  
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

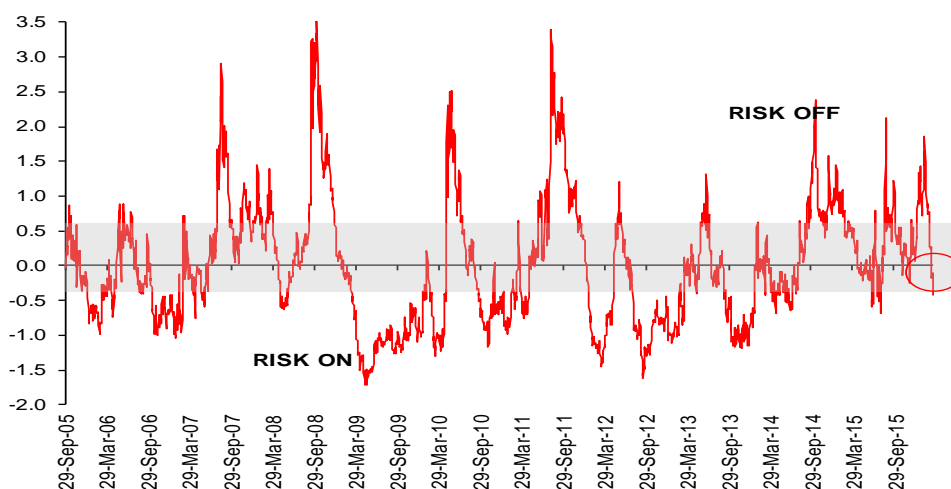


Source: OCBC Bank

## G7

- EUR-USD** The EUR will be confronted by a host of PMIs today including the German Ifo and ZEW readings. Dovish comments from the ECB's Liikanen overnight set against more hawkish commentary from Fed speakers may keep the EUR-USD top heavy into today's session. Expect first support towards 1.1200 ahead of 1.1180 while 1.1300 should cap in the interim.
- USD-JPY** Expect more range bound behavior with official Japanese official rhetoric of late on both sides of dovish. The near term absence of risk aversion may also discourage excessive downside probes within a 111.00-113.00 range.
- AUD-USD** Expect all eyes on the RBA's Stevens (0515 GMT) later in the session and the pair may be cordoned by still somewhat positive investor sentiment on the one hand and a slight intra-day preference for the greenback on the other. Support levels are seen into 0.7520 while 0.7650 should cap.
- GBP-USD** The GBP underperformed across the board on Monday as Brexit concerns brewed once again while the pound will also have to contend with Feb CPI numbers later in the session. In the interim, the 55-day MA (1.4312) is expected to serve as a near term support if the pair continues to fail at 1.4500.

### 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

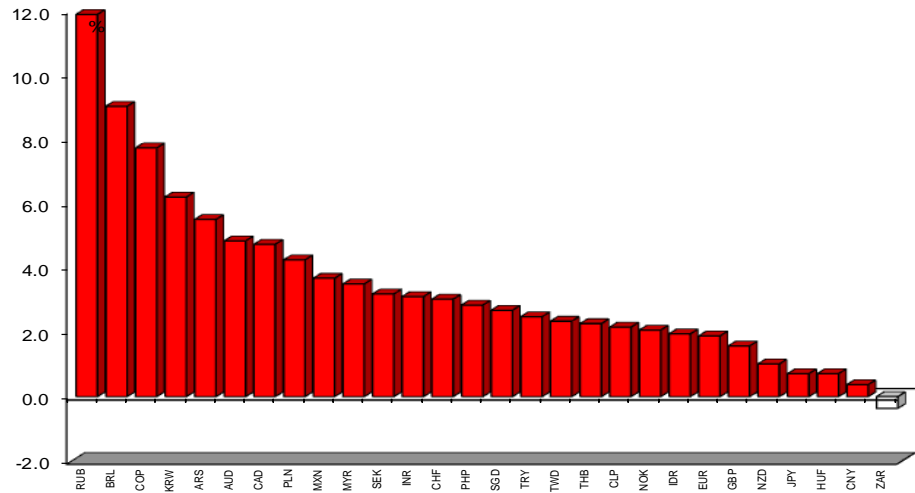
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1042	1.1200	1.1237	1.1300	1.1344
GBP-USD	1.4287	1.4300	1.4372	1.4400	1.4560
AUD-USD	0.7239	0.7500	0.7577	0.7600	0.7680
NZD-USD	0.6618	0.6700	0.6764	0.6800	0.6848
USD-CAD	1.2936	1.3000	1.3081	1.3100	1.3342
USD-JPY	111.39	112.00	112.12	113.00	114.58
USD-SGD	1.3480	1.3600	1.3628	1.3700	1.3977
EUR-SGD	1.5103	1.5300	1.5314	1.5400	1.5432
JPY-SGD	1.2036	1.2100	1.2158	1.2191	1.2200
GBP-SGD	1.9452	1.9500	1.9586	1.9600	1.9746
AUD-SGD	1.0114	1.0300	1.0325	1.0400	1.0423
Gold	1200.00	1218.61	1244.70	1277.77	1287.80
Silver	14.96	15.80	15.86	15.90	16.12

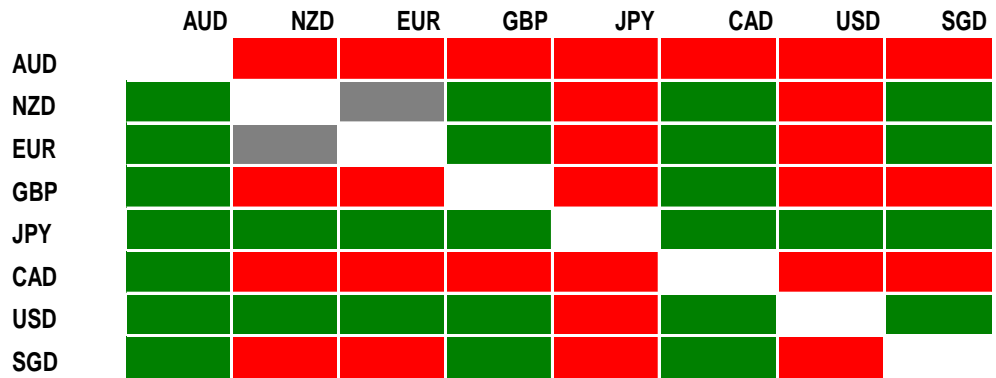
Source: OCBC Bank

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



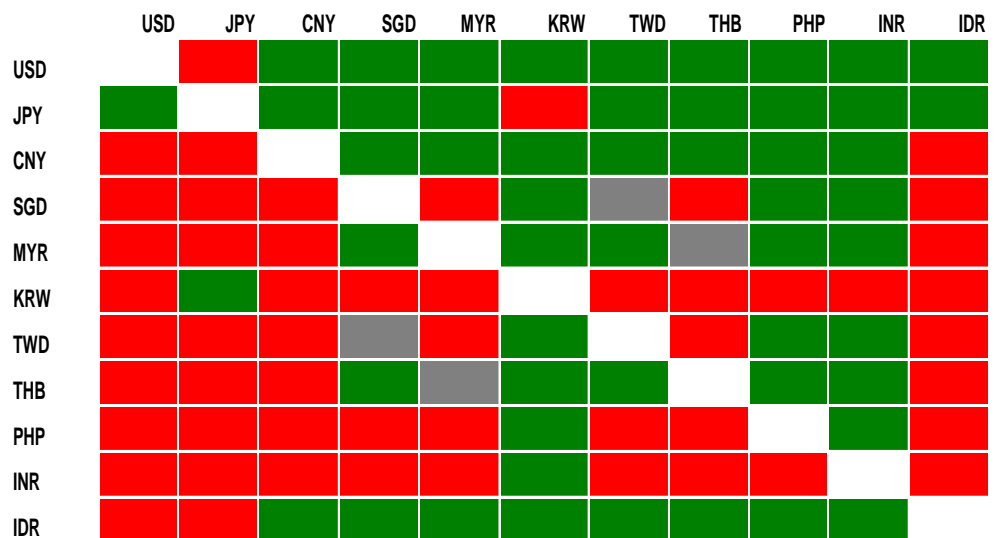
Source: Bloomberg

**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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