

Wednesday, June 22, 2016

**FX Themes/Strategy/Trading Ideas – Yellen still uncertain**

- Despite Yellen, the dollar bounced from intra-day lows to end firmer against the majors on Tuesday with the EUR and the GBP retracing lower on fluctuating poll-implied Brexit odds. The EUR in particular was weighed after the ECB's Draghi noted that "Further monetary stimulus is in the pipeline". Meanwhile, slightly steadier investor sentiment saw the JPY backtracking across G10 space.
- Regarding the Fed, Yellen's testimony before the Senate Banking Committee echoed the vibes from the latest FOMC and exhibited little urgency towards the next rate hike. Stay tuned for another appearance before the House Committee on Financial Services later today (1400 GMT).
- Positive global equities, and softer gold/USTs made for a lower **FXSI (FX Sentiment Index)** with the Index easing further within Risk-Neutral neutral territory on Tuesday. Investors are likely to remain sidelined going into Thu's UK EU referendum and in spite of calmer financial market conditions in the last few sessions.

**Asian FX**

- The **Asian Currency Index (ACI)** is expected to bounce around in recent ranges in line with the majors as investor caution prevails ahead of the UK EU referendum. On the central bank front, the Bank of Thailand is expected to keep its benchmark rate unchanged today at 1.50%.
- The **SGD NEER** this morning is relatively stronger on the day at 1.11% above its perceived parity (1.3576) with NEER-implied USD-SGD thresholds slightly higher on the day. At current levels, the +1.50% threshold is estimated at around 1.3376 and should provide a fairly rigid near term support.
- The relative firmness of the NEER is somewhat at odds with underlying macro fundamentals although the authorities we think would be cognizant of the fact that recent gains have been on the back of global market developments, tempering discomfort towards the SGD's valuation. Meanwhile, our volatility indicators for the USD-SGD and the NEER remain fairly sanguine.

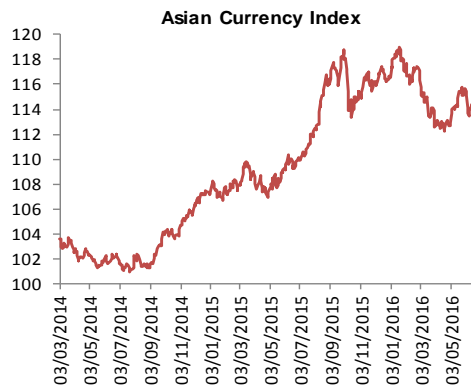
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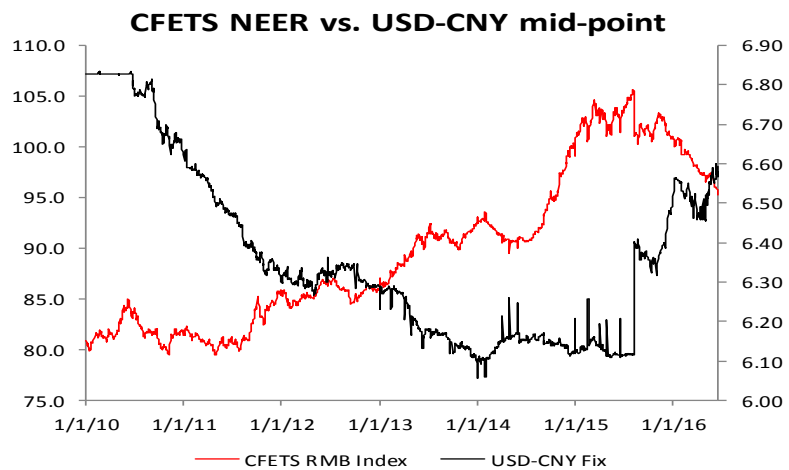
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	SGD NEER	% deviation	USD-SGD
Current	124.87	1.07	1.3434
+2.00%	126.03		1.3310
Parity	123.56		1.3576
-2.00%	121.08		1.3853

Source: OCBC Bank

- The PBOC this morning pushed the envelope and set the USD-CNY mid-point higher at 6.5935 from 6.5656 on Tuesday, resulting in the **CFETS RMB Index** falling to 95.28 from 95.40 yesterday. Official mid-point behavior in the month to date seems to imply a discretionary intent for the Index to resume its 'medium term' depreciation trend.



Source: OCBC Bank, Bloomberg

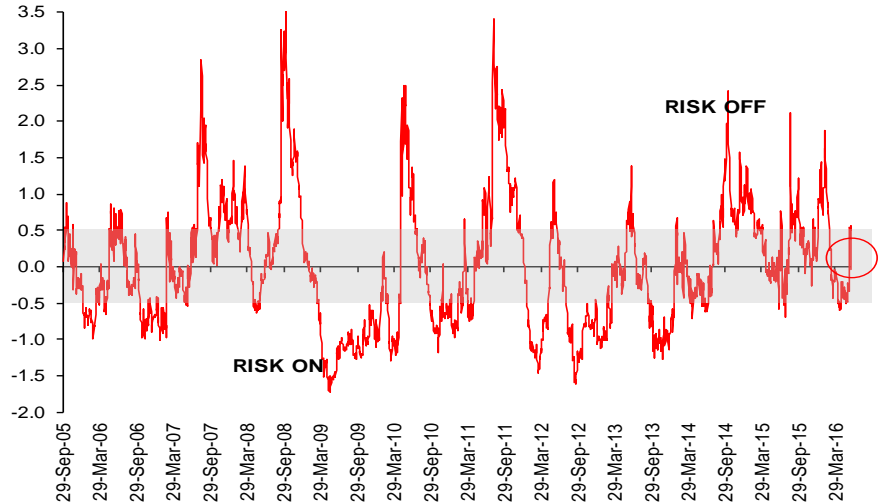
**G7**

- **EUR-USD** A reiteration of a dovish posture by the ECB (note fairly aggressive CSPP purchases) coupled with current skittishness towards Brexit may see the EUR-USD heavier into today's session. The 55-day MA (1.1301) may continue to resist upside tests while risks may remain skewed towards 1.1200 at this juncture.
- **USD-JPY** USD-JPY may continue to keep its head under the 105.00 water mark in view of the imminent event risks while Yellen has certainly done no favors for implicit dollar strength. Risks towards 104.00 ahead of 103.55 remain apparent.
- **AUD-USD** AUD-USD continues to sit (just barely) atop its 55-day MA (0.7446) on recent slight improvements in global risk appetite levels. With risk appetite developments held hostage to Brexit related headlines, the pair

may bide its time and range trade within 0.7400-0.7500. As noted yesterday, any ability to base build may pave the way towards 0.7615 multi-session.

- GBP-USD** GBP-USD may continue to stall at its 200-day MA (1.4679) with risks binary and heavily dependent on referendum-related headlines. Our inclination at this juncture is to prep for a relief rally of sorts in the event of a 'friendly' market outcome.

### 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

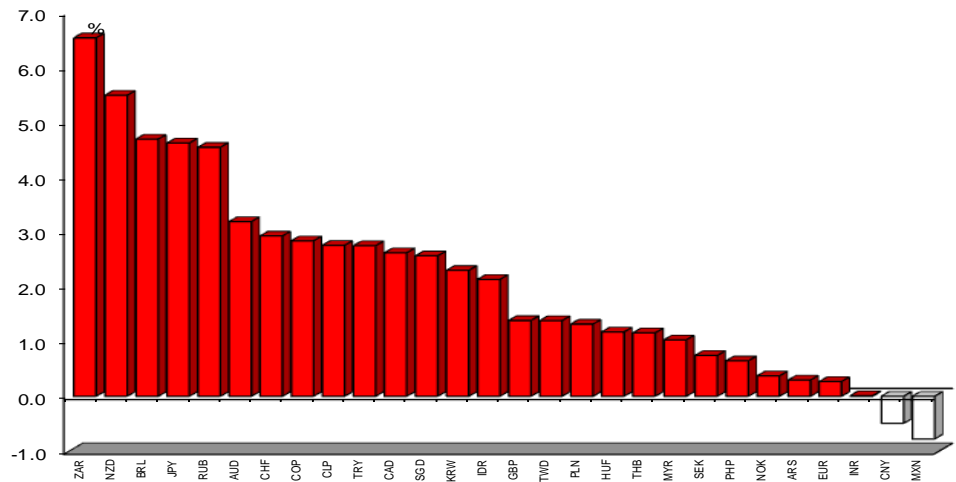
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1099	1.1200	1.1252	1.1294	1.1300
GBP-USD	1.4600	1.4678	1.4685	1.4700	1.4783
AUD-USD	0.7400	0.7428	0.7453	0.7500	0.7513
NZD-USD	0.6887	0.7100	0.7131	0.7169	0.7200
USD-CAD	1.2655	1.2800	1.2812	1.2856	1.2900
USD-JPY	103.55	104.00	104.42	105.00	108.29
USD-SGD	1.3394	1.3400	1.3434	1.3500	1.3597
EUR-SGD	1.5077	1.5100	1.5116	1.5200	1.5354
JPY-SGD	1.2562	1.2800	1.2866	1.2900	1.2992
GBP-SGD	1.9663	1.9700	1.9729	1.9800	2.0276
AUD-SGD	0.9892	1.0000	1.0013	1.0075	1.0099
Gold	1200.00	1258.03	1267.00	1300.00	1314.73
Silver	16.94	17.20	17.30	17.30	17.88
Crude	47.08	49.90	49.97	50.00	51.21

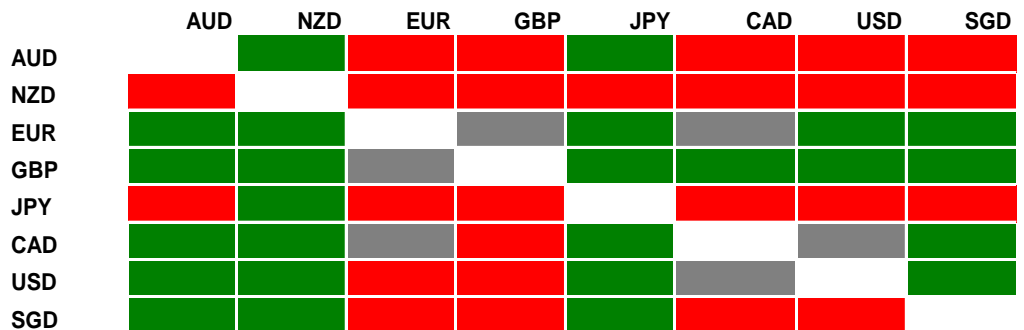
Source: OCBC Bank

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



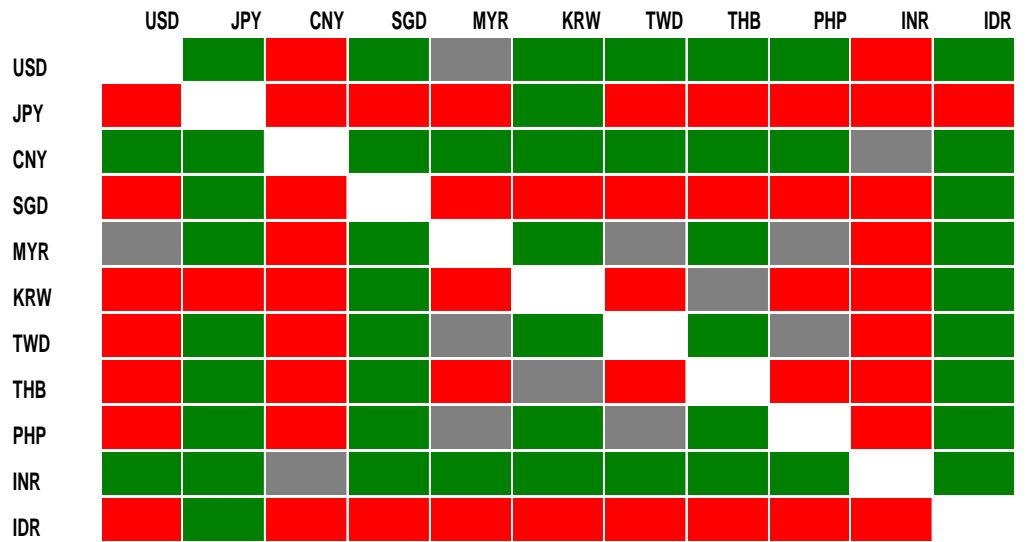
Source: Bloomberg

**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	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	
<b>STRUCTURAL</b>									
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	
<b>RECENTLY CLOSED</b>									
	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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