

Thursday, June 23, 2016

FX Themes/Strategy/Trading Ideas

- Late NY/early Asia on Thursday, the GBP was given a further boost as latest polls indicated increased odds of a Remain outcome in the UK EU referendum. This also saw the majors building further upon gains chalked up on Wed against the USD and some incremental firmness may be expected today before leveling off in anticipation of the referendum results.
- Despite the **FXSI (FX Sentiment Index)** ticking higher within Risk-Neutral territory, background cautious optimism may also see the JPY continuing to slough off recent firmness against its counterparts.
- In anticipation of a potential relief rally in the event of a “market-friendly” UK referendum voting result, we undertake a tactical long **AUD-USD**. With a spot ref of 0.7463 on Wednesday, we target 0.7715 and place a stop at 0.7335.

Asian FX

- A soft USD-CNY fix aside, regional currency pairs are expected to remain subject to risk appetite and broad dollar developments in the coming 36-48 hours. Intra-day, the **Asian Currency Index (ACI)** is seen heavy.
- The **SGD** NEER is running fairly strong this morning at +1.36% above its perceived parity (1.3545). NEER-implied USD-SGD thresholds are softer on the day but USD-SGD is slightly outpacing this move. At current levels, the +1.50% threshold for the USD-SGD is estimated at 1.3345 and may be a no-fly zone for the pair pending external headlines.
- Although volatility indicators are only warming up slightly, the relatively elevated position of the NEER (last significant high at +1.42% on 28 Apr 15) may see caution beginning to set in on the downside for USD-SGD pending further moves in the basket’s constituent currencies.

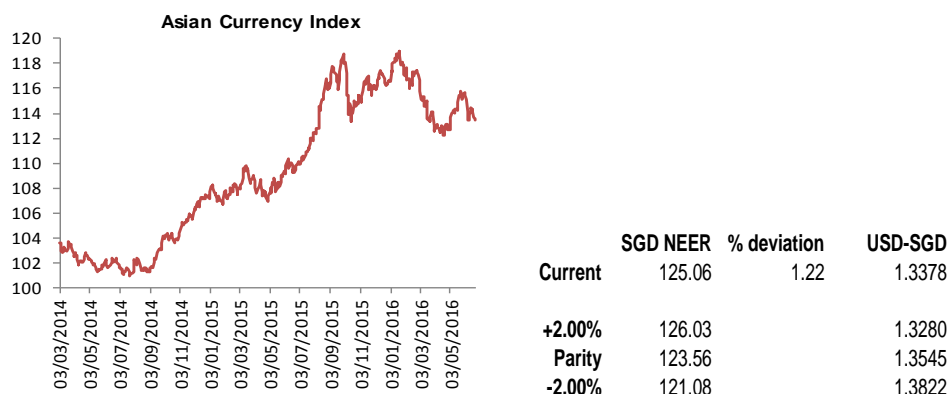
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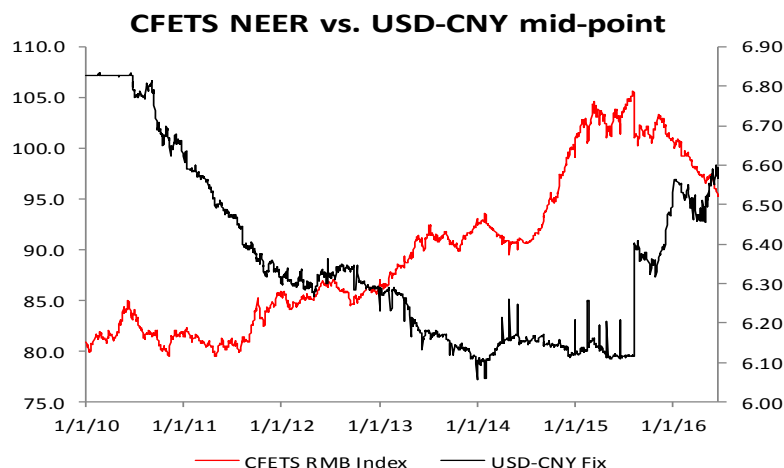
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Source: OCBC Bank

- The USD-CNY mid-point fell to 6.5658 this morning from 6.5935 on Wednesday and again, testing the implied limits of the daily variance of the fix's behavior. This saw the **CFETS RMB Index** firming slightly to 95.38 from 95.28 on Wednesday.



Source: OCBC Bank, Bloomberg

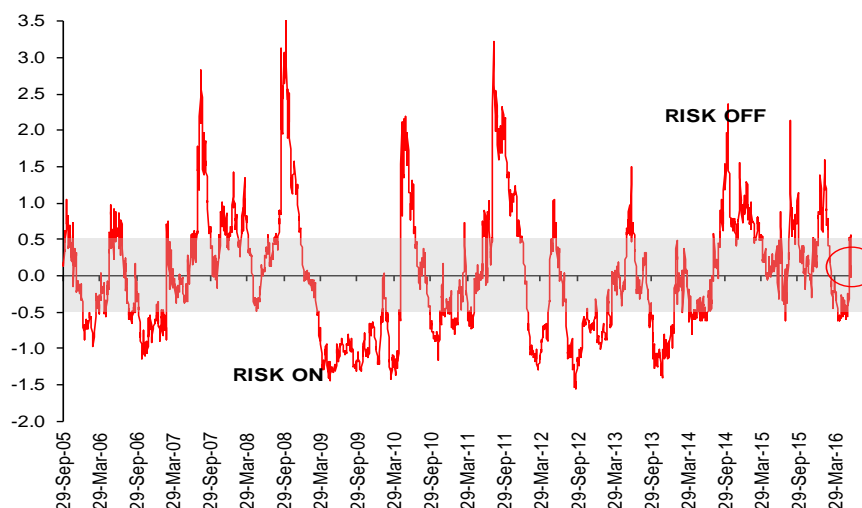
G7

- EUR-USD** Short-term model update: EUR-USD is trading around the mid-point of its implied (and heavy) confidence interval. The issue at hand then is whether the EUR will begin to bottom out post UK EU referendum and resume gnawing away at the dollar. In the interim, the pair is straddling its 55-day MA (1.302) and this may remain a crucial junction into the end of the week.
- USD-JPY** USD-JPY may remain trapped within 103.70-105.40 in the short term although the paring of fear trades may provide some buoyancy at the margins.
- AUD-USD** Short-term model update: After bouncing from lows at the end of May, AUD-USD is now trading at upper extreme of its implied confidence interval and may remain in lock down mode pending UK-related headlines. Intra-day, the pair may continue to loiter around the 0.7500 handle

pending headline risks with the 55-day MA (0.7447) expected to provide initial support and 0.7600 likely to attract if risk appetite continues to recover.

- **GBP-USD** Short-term model update: GBP-USD: After trading undervalued between late Feb and mid-May, there is still some room to bounce further post referendum but much will depend on positioning data/flows in the wake of the vote as results stream in.

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

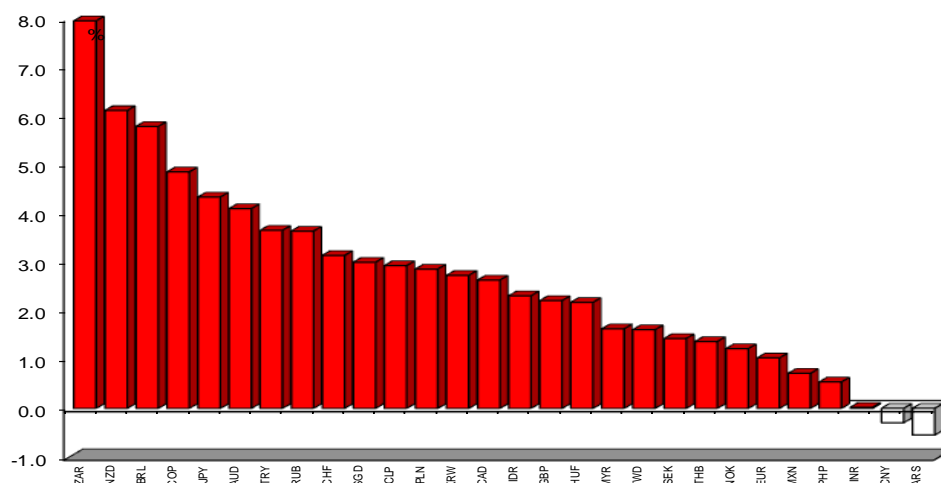
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1296	1.1300	1.1336	1.1400	1.1416
GBP-USD	1.4675	1.4800	1.4806	1.4836	1.4844
AUD-USD	0.7426	0.7500	0.7518	0.7528	0.7567
NZD-USD	0.6894	0.7100	0.7174	0.7188	0.7200
USD-CAD	1.2655	1.2800	1.2807	1.2856	1.2900
USD-JPY	103.55	104.00	104.70	105.00	108.19
USD-SGD	1.3300	1.3363	1.3378	1.3400	1.3591
EUR-SGD	1.5070	1.5100	1.5165	1.5200	1.5350
JPY-SGD	1.2567	1.2700	1.2777	1.2800	1.2990
GBP-SGD	1.9672	1.9800	1.9807	1.9900	2.0217
AUD-SGD	0.9897	1.0000	1.0058	1.0085	1.0091
Gold	1200.00	1258.37	1262.70	1300.00	1315.09
Silver	16.96	17.30	17.31	17.40	17.88
Crude	47.07	49.50	49.58	49.60	51.14

Source: OCBC Bank

FX performance: 1-month change agst USD



Source: Bloomberg

G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD
AUD		Green	Red	Red	Grey	Red	Red	Red
NZD	Red		Red	Red	Red	Red	Red	Red
EUR	Green	Green		Grey	Green	Grey	Grey	Green
GBP	Green	Green	Grey		Green	Grey	Grey	Green
JPY	Grey	Green	Red	Red		Red	Red	Red
CAD	Green	Green	Grey	Grey	Green		Grey	Green
USD	Green	Green	Grey	Grey	Green	Grey		Green
SGD	Green	Green	Red	Red	Green	Red	Red	

Source: OCBC Bank

Asia FX Heat Map

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD		Green	Red	Green	Green	Green	Green	Green	Green	Red	Green
JPY	Red		Red	Red	Red	Green	Red	Red	Red	Red	Red
CNY	Green	Green		Green	Green	Green	Green	Green	Green	Red	Green
SGD	Red	Green	Red		Red	Red	Red	Red	Red	Red	Grey
MYR	Red	Green	Red	Green		Green	Grey	Grey	Grey	Red	Green
KRW	Red	Red	Red	Green	Red		Red	Red	Red	Red	Green
TWD	Red	Green	Red	Green	Grey	Green		Green	Red	Red	Green
THB	Red	Green	Red	Green	Grey	Green	Red		Red	Red	Green
PHP	Red	Green	Red	Green	Grey	Green	Green	Green		Red	Green
INR	Green	Green	Green	Green	Green	Green	Green	Green	Green		Green
IDR	Red	Green	Red	Grey	Red	Red	Red	Red	Red	Red	

Source: OCBC Bank

FX Trade Ideas

FX Trade Radar								
	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	
3	22-Jun-16	B	AUD-USD	0.7463	0.7715	0.7335	Pre for relief rally post UK EU referendum	
	STRUCTURAL							
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
6	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
7	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
8	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	1.4340	Potential for further downside going into EU referendum	-1.30
9	17-Jun-16	19-Jun-16	S	EUR-USD	1.1232	1.1350	Potential for negative spillover from the UK referendum	-1.03

Source: OCBC Bank

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