

Friday, June 24, 2016

**FX Themes/Strategy/Trading Ideas**

- Expect price action today to be extremely whippy across asset classes as UK EU referendum results continue to stream in. Official results are expected to be announced at around 2pm (Singapore local time).
- Elsewhere, the **FXSI (FX Sentiment Index)** slipped into late NY within Risk-Neutral territory on Thursday (implying improving risk appetite) but the situation remains in a flux. At the time of writing, S&P and FTSE futures are down from late NY while UST yields have also retracted lower (after firming on Thu) as investor reaction to the streaming results remains volatile.
- **GBP-USD** meanwhile is extremely volatile, traversing a 1.4050-1.5000 range in Asia this morning in Asia with the FTSE 100 futures down -3.91% at the time of writing.
- Our 10 Jun 16 idea to be tactically short **USD-JPY** (spot ref: 107.16) was closed at its profit stop of 105.50 on Thu with an implied +1.57% gain.

**Asian FX**

- If risk appetite continues to deteriorate during the Asian morning, expect the Asian currency pairs to continue to react higher. Note that at the time of writing, the **Asian Currency Index (ACI)** is once again firmer after dipping on Thursday. For today, risk appetite considerations are expected to dominate and expect price action to be choppy in line with G10 currencies.
- The **SGD NEER** is around +0.83% above its perceived parity (1.3543) this morning, softer on the day and with NEER-implied USD-SGD thresholds largely unchanged to a touch softer on the day. At current levels, the +1.00% threshold is estimated at 1.3409 and +1.50% at 1.3343. Expect market caution on the downside for USD-SGD to materialize on approach of the +1.50% threshold. Volatility indicators meanwhile are sanguine and any official discomfort we think would stem from the NEER's relatively elevated position.

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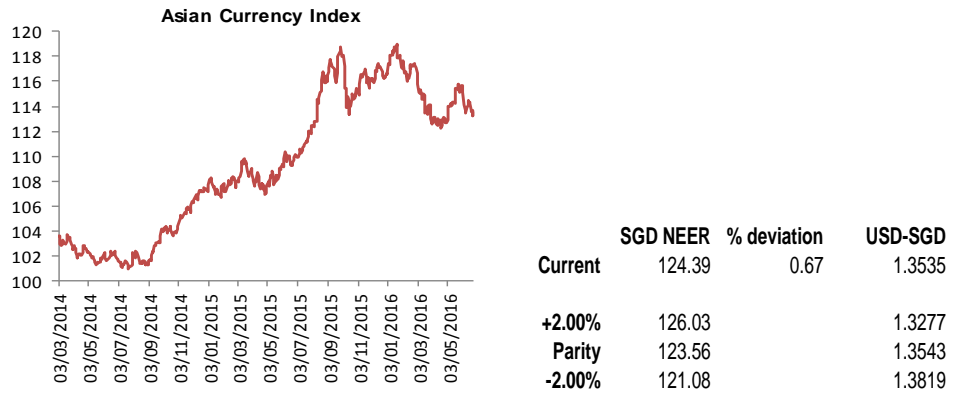
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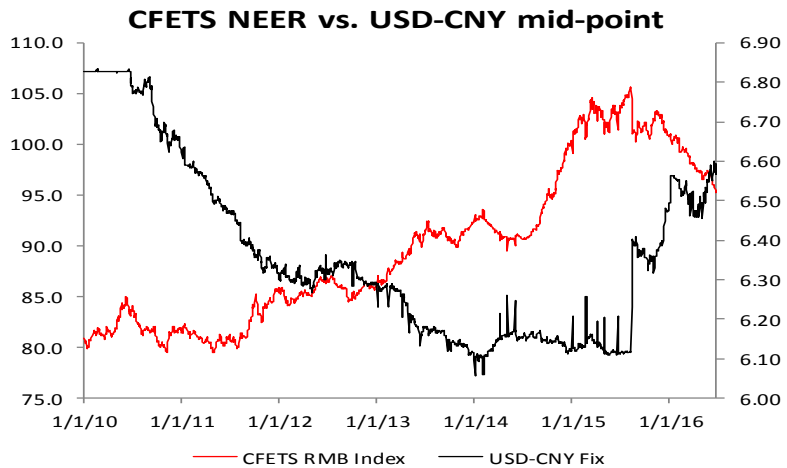
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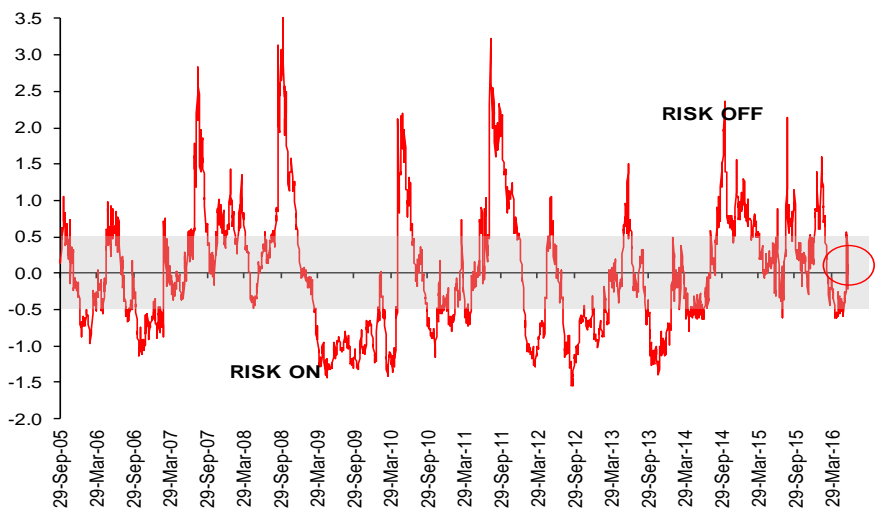
Source: OCBC Bank

- This morning, the USD-CNY mid-point rose to 6.5776 from 6.5658 on Thursday. This pulls the **CFETS RMB Index** lower to 95.29 from 95.38 yesterday.



Source: OCBC Bank, Bloomberg

**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

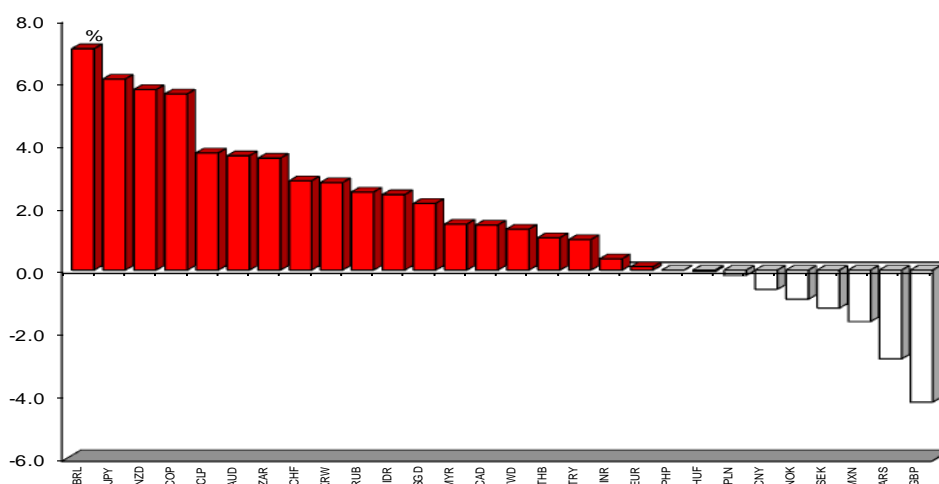
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1070	1.1100	1.1158	1.1200	1.1295
GBP-USD	1.4005	1.4014	1.4018	1.4100	1.4475
AUD-USD	0.7400	0.7422	0.7452	0.7500	0.7585
NZD-USD	0.6900	0.7100	0.7128	0.7200	0.7271
USD-CAD	1.2800	1.2857	1.2870	1.2900	1.3126
USD-JPY	103.00	103.07	103.51	104.00	108.12
USD-SGD	1.3313	1.3500	1.3529	1.3590	1.3600
EUR-SGD	1.5045	1.5070	1.5095	1.5100	1.5347
JPY-SGD	1.3041	1.3050	1.3068	1.3100	1.3130
GBP-SGD	1.8940	1.8943	1.8965	1.9000	1.9665
AUD-SGD	0.9893	1.0000	1.0081	1.0085	1.0100
Gold	1203.48	1259.29	1272.80	1300.00	1315.49
Silver	16.99	17.40	17.44	17.50	17.88
Crude	47.03	48.70	48.73	48.80	51.16

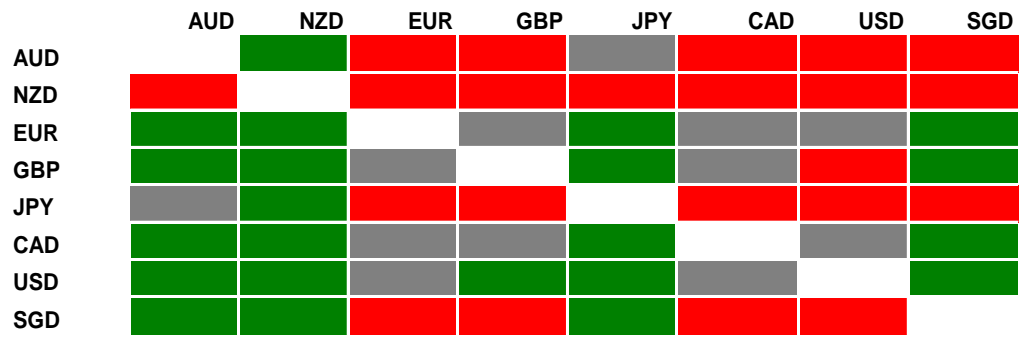
Source: OCBC Bank

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



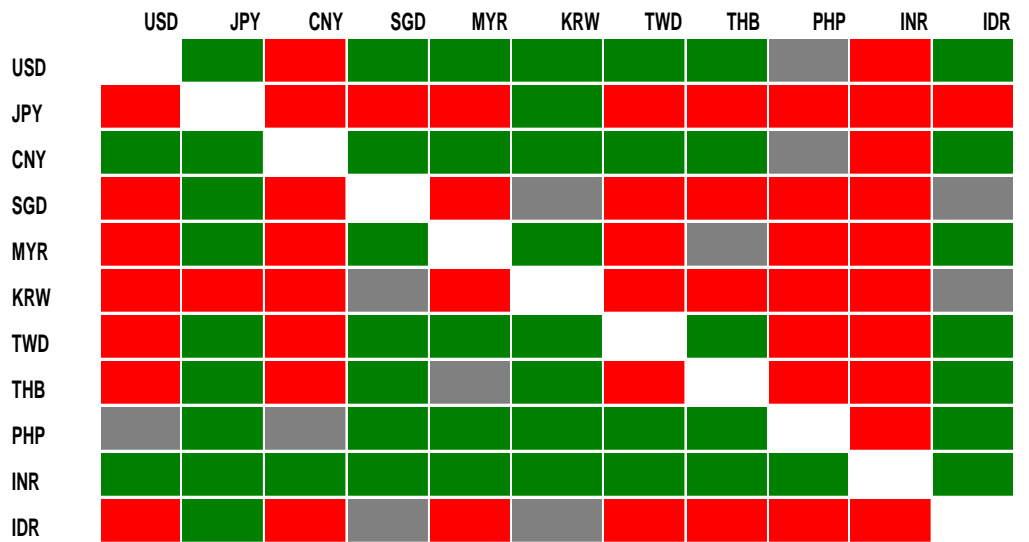
Source: Bloomberg

**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-SGD	1.3546	1.3300	1.3670	SGD remains reactive to potential USD vulnerability	
2	22-Jun-16	B	AUD-USD	0.7463	0.7715	0.7335	Pre for relief rally post UK EU referendum	
<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	1.4340	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
10	10-Jun-16	23-Jun-16	S	USD-JPY	107.16	105.50	Potential for USD weakness going into and post-FOMC	+1.57

Source: OCBC Bank

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