

Tuesday, April 26, 2016

**FX Themes/Strategy/Trading Ideas**

- Despite firmer UST yields, the broad dollar consolidated lower on Monday (note disappointing March new home sales) after its recent gains with the cyclicals also taking a backseat across G10 space in favor of the JPY. Nonetheless, the near term inclination for markets may be to collect USD on weakness ahead of the FOMC.
- Elsewhere negative US equities and softer crude worked to pull the **FXSI (FX Sentiment Index)** higher, with the index straddling the fence between Risk-On and Risk-neutral. Note that heightened jitters on the risk appetite front would invariably bolster the greenback further.

**Asian FX**

- Negative Asian equities early on Tue mixed with a lower than expected USD-CNY mid-point may still result in a supported to firmer tone for USD-Asia intra-session. Note also additional idiosyncratic risk premiums with respect to the **MYR** may also be expected to put the spotlight on SE Asian currencies. As noted yesterday, risk for the ACI may be to continue to bottom out.
- The **SGD NEER** is around +0.22% above its perceived parity (1.3551) this morning with NEER-implied USD-SGD thresholds slightly softer on the day. Note that March CPI numbers released yesterday continued to show little price pressure impetus and will do little favors for the SGD (look towards March industrial production data later today).
- Sustained soft inflation numbers going ahead may also continue to breed expectations for further easing by the authorities in October. At current market levels, the +0.50% NEER threshold corresponds to 1.3484 with the -0.50% threshold seen at 1.3620. Prefer to collect into dips for **USD-SGD** in the near term.

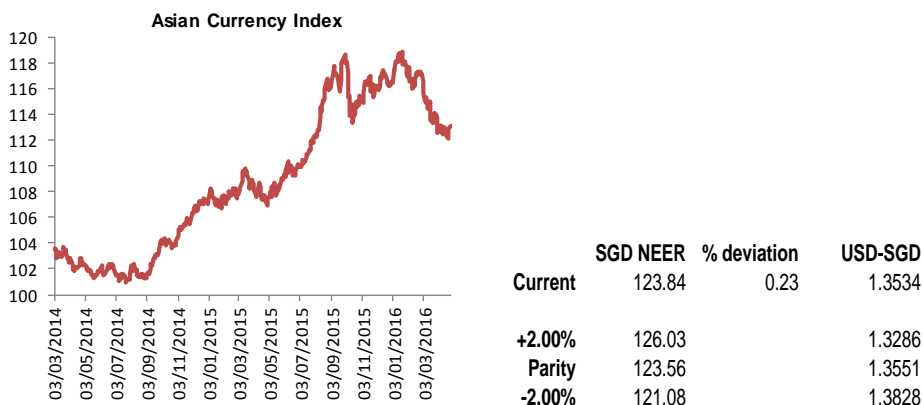
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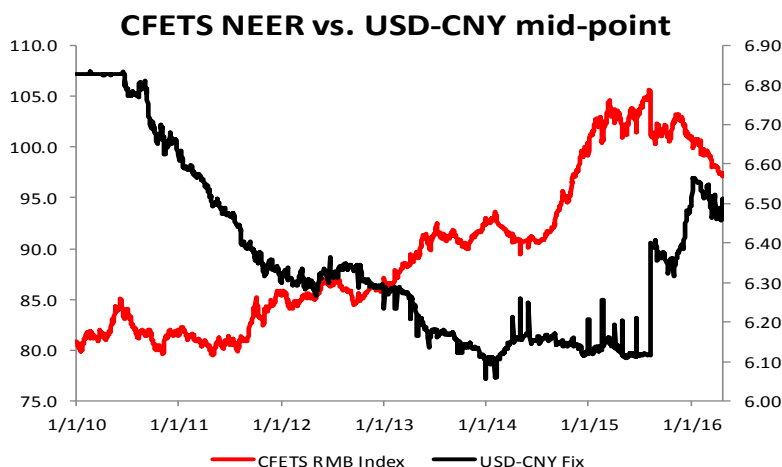
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Source: OCBC Bank

- The **USD-CNY mid-point** was set significantly softer at 6.4882 this morning compared to 6.5120 on Monday. This lifted the **CFETS RMB Index** to 97.45 from 97.30 yesterday, in contrast to an expected softening in the Index as implied by overnight movements in the constituent currencies. Overall, the authorities may be attempting to temper excessive expectations of a secular decline in the Index.

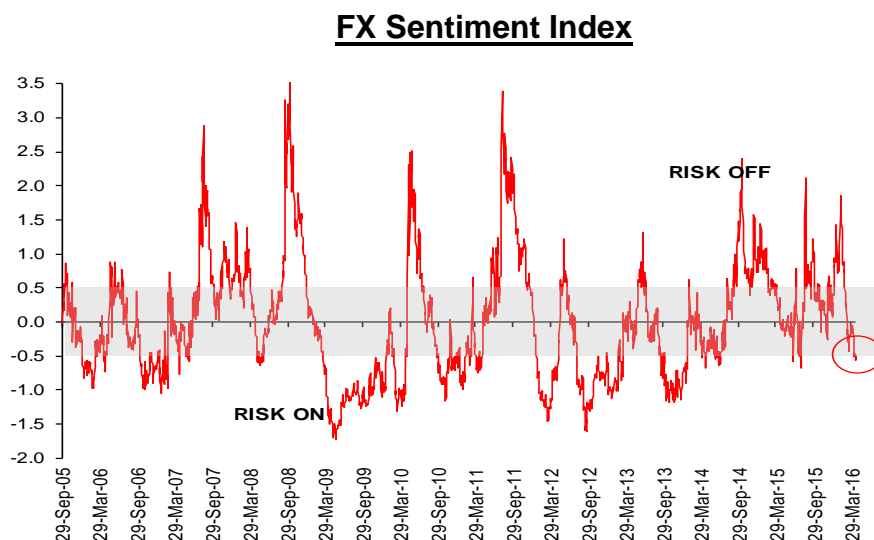


**G7**

- **EUR-USD** The EUR-USD managed to edge higher despite the disappointing German April Ifo readings and for today. Key support remains at the 55-day MA (1.1194) while 1.1300 is expected to present an initial cap, with rate differential arguments arguing for a softer profile for the pair.
- **USD-JPY** BOJ governor Kuroda today is expected to appear before Parliament and investors are likely to be keenly watching for any monetary policy cues ahead of the BOJ meeting later this week. USD-JPY may hit a ceiling at its 55-day MA (111.94) pending further headline risks although rate differential arguments continue to prove supportive for the pair.
- **AUD-USD** Despite rate differential support, the AUD-USD may be reluctant to test towards the upside in the near term given the slight wavering

in global risk appetite levels and a breach of 0.7700 risks a deterioration towards 0.7645. Look also to 1Q CPI data points on Wednesday for domestic cues.

- GBP-USD** Outside of the JPY, the GBP was a notable outperformer against the USD with Brexit concerns continuing to abate. It remains to be seen if the 1.4500/20 resistance zone can be breached with any measure of conviction, while initial support is expected into the 100-day MA (1.4418).



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

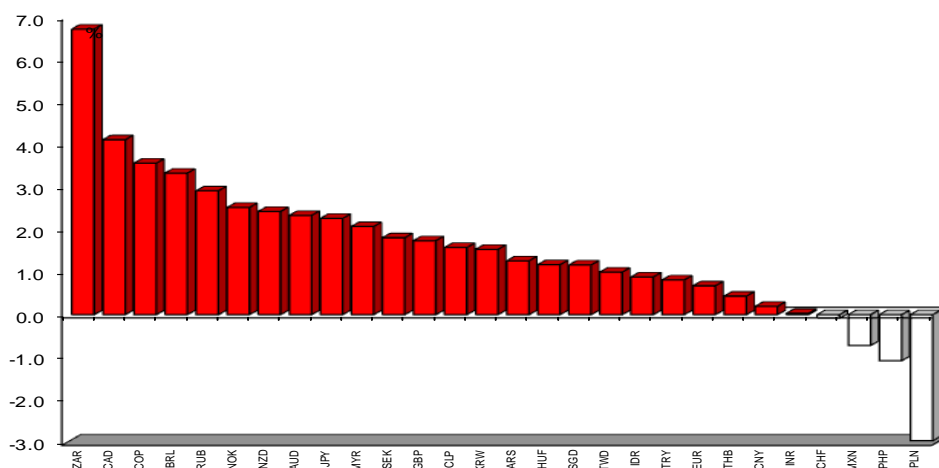
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1220	1.1272	1.1300	1.1449
GBP-USD	1.4229	1.4500	1.4504	1.4513	1.4520
AUD-USD	0.7507	0.7700	0.7720	0.7800	0.7828
NZD-USD	0.6771	0.6800	0.6883	0.6900	0.7008
USD-CAD	1.2593	1.2600	1.2675	1.2700	1.3164
USD-JPY	107.63	110.00	110.94	111.00	111.78
USD-SGD	1.3384	1.3500	1.3536	1.3600	1.3606
EUR-SGD	1.5153	1.5200	1.5228	1.5300	1.5314
JPY-SGD	1.1961	1.2100	1.2173	1.2200	1.2250
GBP-SGD	1.9476	1.9500	1.9506	1.9591	1.9600
AUD-SGD	1.0273	1.0400	1.0435	1.0500	1.0532
Gold	1213.32	1238.49	1239.80	1261.49	1271.90
Silver	15.63	17.00	17.07	17.10	17.62
Crude	40.37	43.00	43.05	43.10	44.49

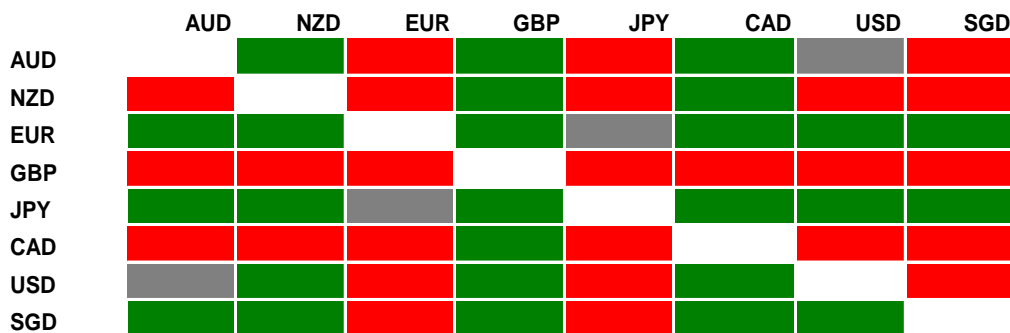
Source: OCBC Bank

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



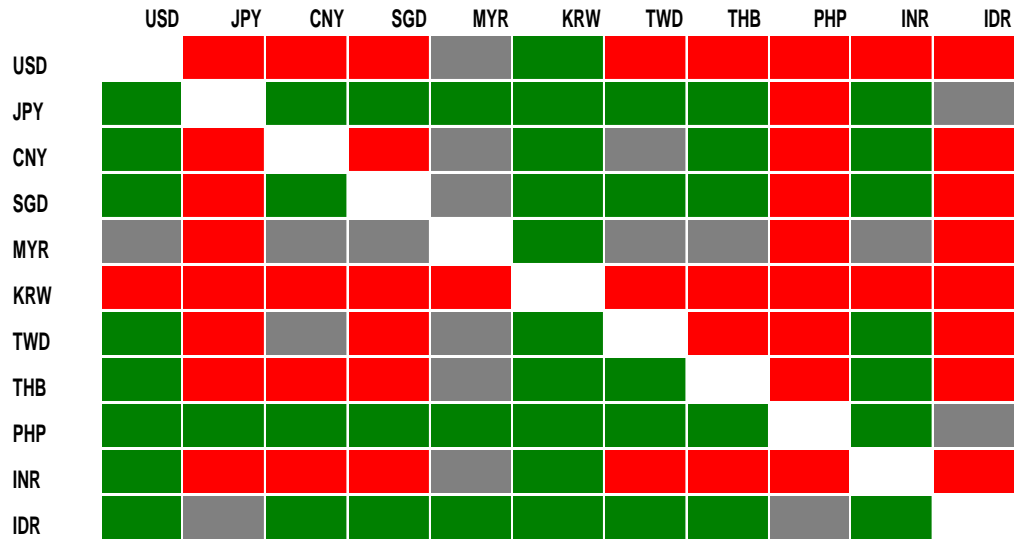
Source: Bloomberg

**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	14-Apr-16	S	USD-CAD	1.2832	1.2425	1.3040	Bottoming crude prices	
2	20-Apr-16	B	GBP-USD	1.4374	1.4785	1.4165	Moderating Brexit concerns, weak dollar, positive risk	
<b>STRUCTURAL</b>								
3	03-Feb-16	S	GBP-USD	1.4401	1.3700	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	
4	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
5	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
6	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
7	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
8	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclicals, search for yield	
9	19-Apr-16	S	USD-SGD	1.3439	1.2835	1.3740	Potential for further broad USD decay, positive risk appetite	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	18-Feb-16	31-Mar-16	S	USD-SGD	1.4034	1.3435	USD vulnerability, stabilization in RMB, equities/commodities	+4.54
2	03-Mar-16	08-Apr-16	B	AUD-USD	0.7284	0.7410	Stabilizing commodities/equities, coupled with recent upside aussie	+3.19
3	29-Feb-16	07-Apr-16	S	USD-CAD	1.3533	1.3139	Bottoming crude	+2.98
4	11-Apr-16	14-Apr-16	S	USD-JPY	107.72	109.50	JPY still not drastically overvalued, endemic USD weakness	-1.63
5	04-Mar-16	14-Apr-16	S	USD-SGD	1.3881	1.3634	Brightening risk appetite, vulnerable broad dollar	+1.81
6	30-Mar-16	18-Apr-16	B	EUR-USD	1.1297	1.1310	Dollar negativity post-Yellen	+0.05
7	19-Apr-16	22-Apr-16	S	USD-JPY	108.93	110.75	Potential for FOMC to disappoint	-1.65

Source: OCBC Bank

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