

Wednesday, April 27, 2016

FX Themes/Strategy/Trading Ideas – Waiting for Super Thursday

- UST yields edged higher again on Tuesday but failed to prevent a softer broad USD (disappointing March durable goods orders at +0.8% and the April Conference Board consumer confidence also disappointed at 94.2) across G10 space ahead of the FOMC today.
- Ahead of the FOMC statement (1800 GMT) later in the global session and the BOJ MPC tomorrow expect markets to be in a lull. Note however the softer than expected aussie CPI numbers in early trade tripping the AUD-USD back below 0.7700, putting paid to our skepticism about the recent firming back-end yields in global curves.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** slipped deeper into Risk-On territory on Tuesday but investor sentiment will likely be slightly more cautious intra-day.

Asian FX

- Negative spill over from Apple (reported after hours) may leave Asian equities on an uneven footing although the regional pairs are expected to be top heavy following overnight price action while awaiting the FOMC.
- A softer broad dollar overnight leaves the **SGD NEER** a touch firmer relative to its parity at +0.27%. NEER-implied USD-SGD thresholds are slightly softer on the day and at current levels, the NEER's parity is estimated at 1.3546. Meanwhile, the +0.50% threshold is seen at 1.3478 while -0.50% is expected to correspond to 1.3614. Broadly speaking, USD-SGD may remain trapped within the confines of 1.3400-1.3600 pending external cues (either from the FOMC or closer to home) with yesterday's better than expected March IPI numbers (-0.5% yoy) not likely to impart any significant drift on the pair.

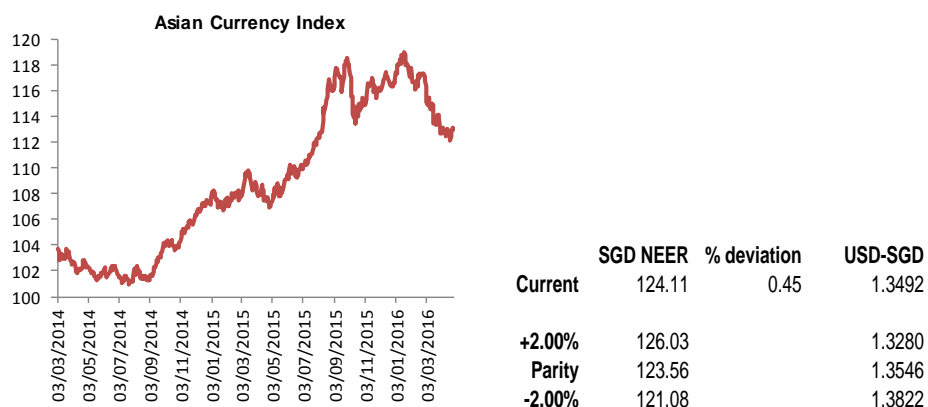
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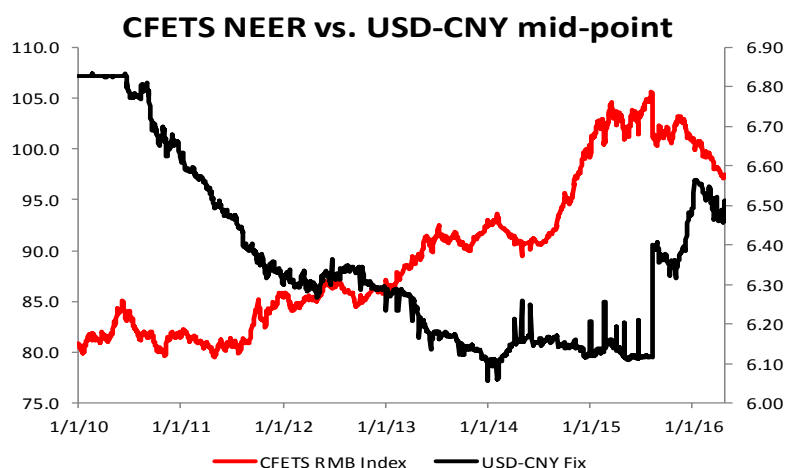
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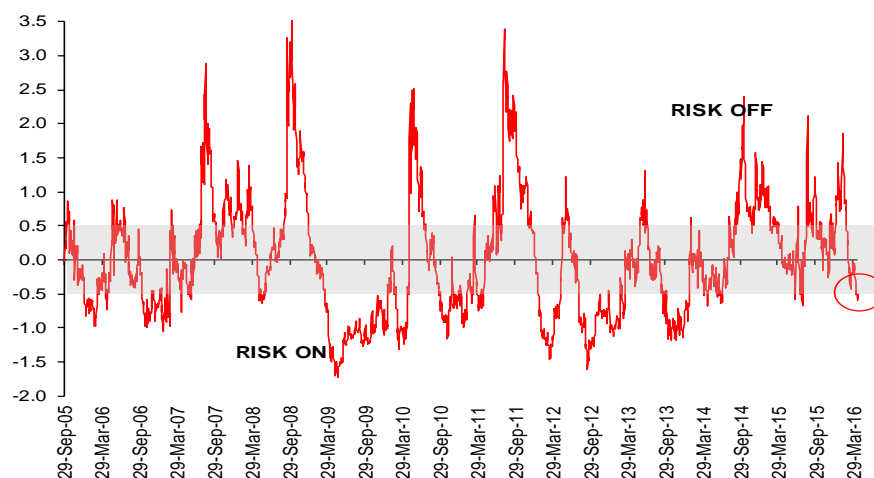


Source: OCBC Bank

- This morning, the **USD-CNY mid-point** was set in line with expectations at 6.4837 compared to 6.4882 on Tuesday. This brings the **CFETS RMB Index** slightly lower (as expected) to 97.36 from 97.45 yesterday.



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DX	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DX	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

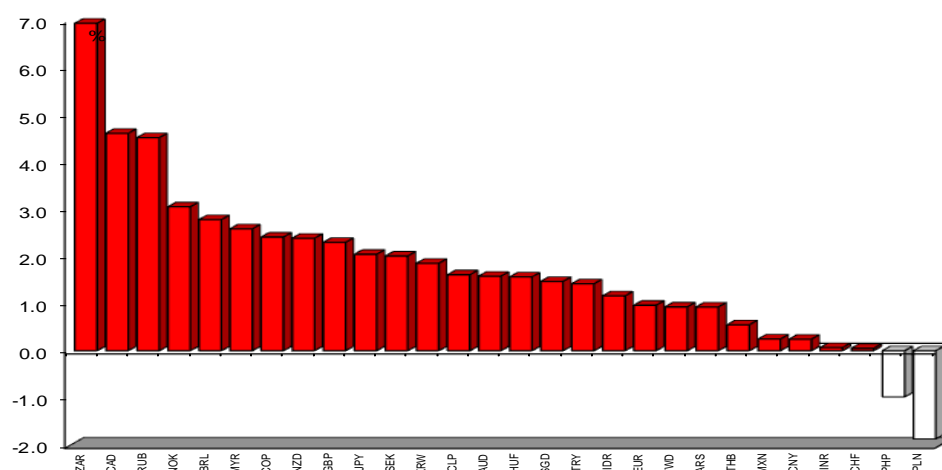
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1221	1.1300	1.1305	1.1400	1.1447
GBP-USD	1.4500	1.4573	1.4582	1.4600	1.4639
AUD-USD	0.7516	0.7600	0.7663	0.7700	0.7832
NZD-USD	0.6776	0.6800	0.6880	0.6900	0.7006
USD-CAD	1.2593	1.2600	1.2606	1.2700	1.3142
USD-JPY	107.63	111.00	111.18	111.73	112.00
USD-SGD	1.3384	1.3400	1.3495	1.3500	1.3603
EUR-SGD	1.5153	1.5200	1.5256	1.5300	1.5307
JPY-SGD	1.1979	1.2100	1.2142	1.2200	1.2246
GBP-SGD	1.9600	1.9666	1.9679	1.9700	1.9777
AUD-SGD	1.0278	1.0300	1.0342	1.0400	1.0532
Gold	1213.37	1238.54	1242.20	1261.68	1271.90
Silver	16.90	17.00	17.30	17.72	17.77
Crude	44.50	44.52	44.60	44.83	45.81

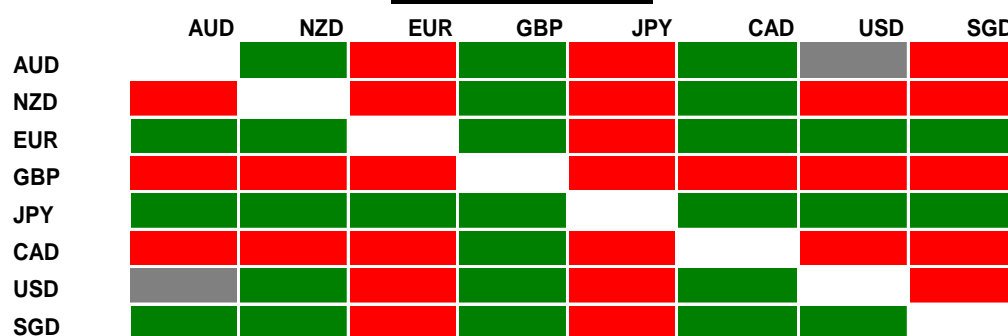
Source: OCBC Bank

FX performance: 1-month change agst USD



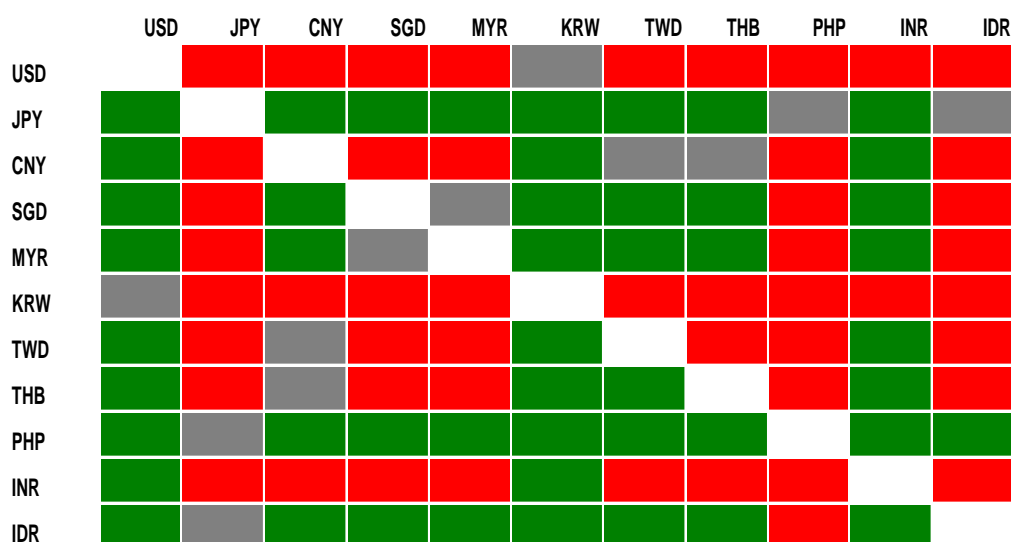
Source: Bloomberg

G10 FX Heat Map



Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

FX Trade Ideas

FX Trade Room								
	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	
	STRUCTURAL							
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	
	RECENTLY CLOSED							
	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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