

Wednesday, September 28, 2016

**FX Themes/Strategy/Trading Ideas**

- With investors deciding that the Presidential debate was net positive for risk-taking, the antipodeans gained across the board on Tuesday. With a discretionary dollar absent somewhat absent despite a better than expected consumer confidence reading (and mixed to hawkish comments from the Fed's Fischer), the EUR-USD meanwhile bled lower on sustained Deutsche Bank news flow with 10Y Treasuries and Bunds reportedly receiving some safety bids.
- For today, Fed-centric news flow may potentially dominate headlines again with Yellen testifying before the House Financial services committee (1400 GMT) while Bullard (1415 GMT), Evans (1730 GMT) and Mester (2035 GMT) are also scheduled to make appearances. On the data front, watch for August durable goods orders. **In the interim, markets may continue to sit against the USD while favoring risk-related plays.**
- On the risk appetite front, the **FXSI (FX Sentiment Index)** continued to reflect improved investor sentiment with the Index easing further within Risk-Neutral territory.

**Asian FX**

- Renewed optimism towards EM (especially the MXN) post-US Presidential debate saw the **ACI (Asian Currency Index)** reacting lower with the regional pairs still expected to be top heavy into Wednesday. Elsewhere however, sliding crude is expected to impair the MYR.
- The **SGD NEER** remains largely anchored in the vicinity of its parity (1.3589) at around -0.08% this morning. NEER-implied USD-SGD thresholds are a touch lower on the day with -0.50% estimated at around 1.3657 and +0.50% at 1.3522. Against a mixed to wobbly USD backdrop, the pair may remain bounded by the 100-day MA (1.3558) ahead of the 55-day MA (1.3665) given that volatility measures (both for the NEER and spot) remain at sanguine levels. On a related note, the short-end vol surface remains fairly benign on approach of next month's MAS MPS (Monetary Policy Statement).

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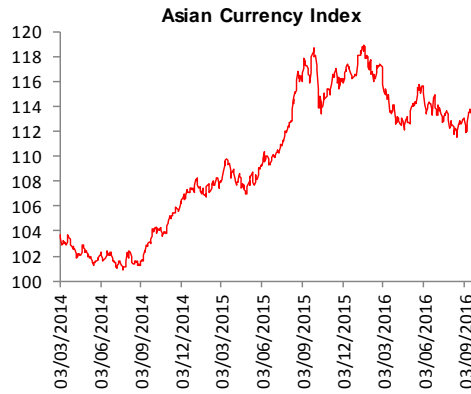
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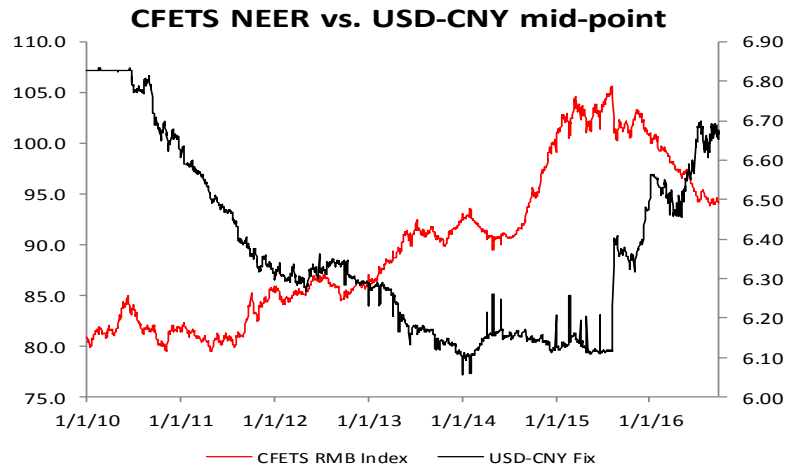
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	SGD NEER	% deviation	USD-SGD
Current	123.41	-0.12	1.3606
+2.00%	126.03		1.3322
Parity	123.56		1.3589
-2.00%	121.08		1.3866

Source: OCBC Bank

- The **CFETS RMB Index** dipped to 94.07 this morning from 94.13 on Tuesday, with the USD-CNY mid-point firming slightly to 6.6681 as a result from 6.6646 yesterday. Overall, we expect a certain degree of stability on the Index front to persist ahead of the week long holiday next week.



Source: OCBC Bank, Bloomberg

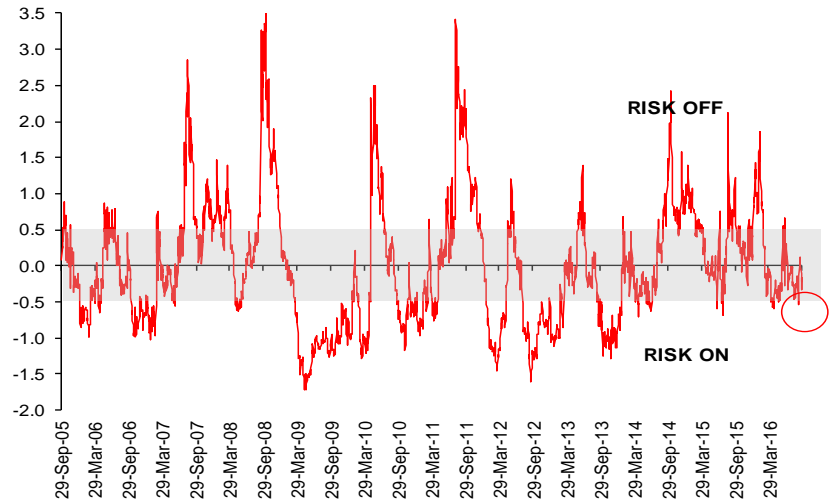
**G7**

- **EUR-USD** In the near term, the EUR may not be able to benefit from prevailing skepticism towards the USD, while the ECB’s Draghi is set to square off against lawmakers when he addresses the Bundestag lower house of parliament’s European Affairs Committee (13130 GMT) with a press conference at 1500 GMT. Expect range bound behavior in the interim with the 100-day MA (1.1187) expected to offer initial support.
- **USD-JPY** A top heavy tone for the USD-JPY may continue to prevail given little discretionary resilience being attached to the USD while the potential for investor nervousness may continue to lurk in the background. We look for 101.40 to cap for now with investors still continuing to eye the 100.00 floor and 99.55 thereafter.
- **AUD-USD** As noted above, the antipodeans rode higher on a renewed wave of risk seeking behavior on Tuesday. Beyond 0.7700, the next

expected resistance is expected towards 0.7735 if the yield hunt continues to gather momentum in the coming sessions.

- GBP-USD** Deteriorating September CBI retail sales numbers provided no support for the GBP on Tuesday although inherent USD vulnerability managed to prop the pair higher by late NY. Background Article 50 concerns may continue to circulate and preference may be to fade rallies within 1.2860 and the 55-day MA (1.3146).

### 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

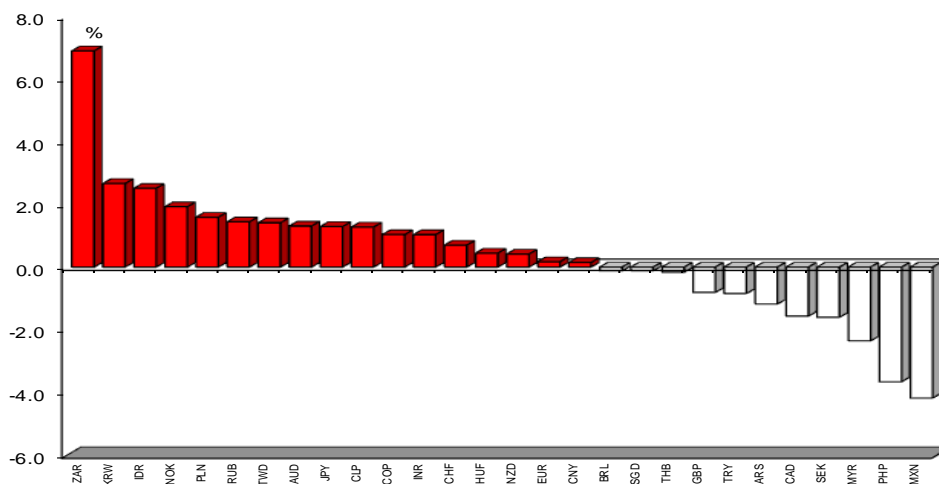
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1184	1.1200	1.1208	1.1283	1.1300
GBP-USD	1.2915	1.3000	1.3001	1.3100	1.3138
AUD-USD	0.7589	0.7600	0.7668	0.7700	0.7720
NZD-USD	0.7205	0.7232	0.7281	0.7300	0.7419
USD-CAD	1.3056	1.3200	1.3218	1.3235	1.3281
USD-JPY	99.82	100.00	100.63	101.00	102.05
USD-SGD	1.3522	1.3600	1.3606	1.3686	1.3698
EUR-SGD	1.5119	1.5200	1.5250	1.5292	1.5300
JPY-SGD	1.3255	1.3500	1.3525	1.3600	1.3601
GBP-SGD	1.7508	1.7600	1.7690	1.7700	1.7764
AUD-SGD	1.0400	1.0432	1.0434	1.0453	1.0500
Gold	1301.09	1302.10	1325.60	1332.59	1350.60
Silver	18.46	19.10	19.12	19.20	19.50
Crude	44.20	44.50	44.70	45.25	45.58

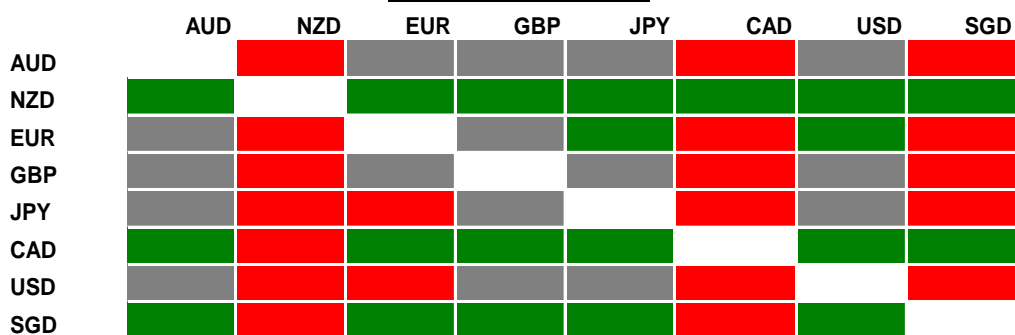
Source: OCBC Bank

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



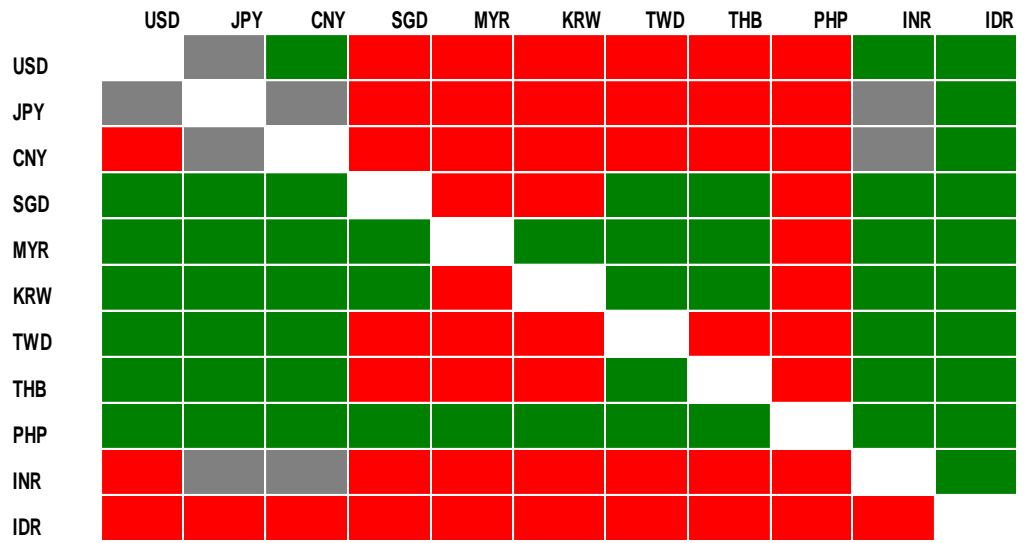
Source: Bloomberg

**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	25-Aug-16	B	GBP-USD	1.3210	1.4055	1.2785	Moderating short term pessimism	
2	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
<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	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
6	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
7	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
8	25-Aug-16	S	USD-CAD	1.2918	1.1960	1.3400	Stabilizing global macro, potential traction for oil	
<b>RECENTLY CLOSED</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	11-Aug-16	30-Aug-16	S	USD-JPY	101.22	101.96	Fading dollar coupled with potential risk aversion	-0.80
2	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclicals, search for yield	8.37
3	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
4	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
5	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.32
<b>Jan-Aug 2016 Return</b>							<b>+7.80</b>	

Source: OCBC Bank

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