

Thursday, September 29, 2016

FX Themes/Strategy/Trading Ideas

- A unified dollar theme remained elusive on Wednesday with the NOK and CAD climbing significantly after crude jumped on reports of OPEC's intended agreement to cut output. On other fronts, the AUD meanwhile continued to benefit from positive sentiment and a supported commodity complex while JPY underperformance across the board continued to persist. Note that the **FXSI (FX Sentiment Index)** fell for the third consecutive session within Risk-Neutral territory.
- After the deluge of Fed speak late Wed/early Thu, the dollar remains largely unimpressed early in Asia and we expect markets to retain a bias towards risk while giving the cold shoulder to the greenback.

Asian FX

- A wobbly dollar, supported commodities and buffered positive risk appetite levels should see the **ACI (Asian Currency Index)** continuing to remain top heavy intra-day. On the central bank front, the CBC is expected to stand pat at 1.375% today.
- The **SGD NEER** is marginally softer on the day at -0.13% below its perceived parity (1.3576) with NEER-implied USD-SGD thresholds also slightly lower. At current levels, the -0.50% threshold is estimated at 1.3644 while +0.50% is seen at 1.3508. Mixed external FX dynamics may continue to trap the USD-SGD in a range although we note the Deputy PM noting that growth this year would be at the lower end of 1.0-2.0%. Near term supports remain unchanged with the 100-day MA (1.3559) seen supporting while initial resistance is seen towards 1.3650.

Asia – Net portfolio capital inflow update

- The net capital inflow situation for the region in aggregate improved in the past week.
- Net inflows are now supportive of the KRW, INR (USD-INR slumping below 67.00), IDR (USD-IDR tripping below 13,000), and THB.
- The net inflow situation for the TWD remains neutral, exposing the USD-TWD to two-way risks and perhaps suggestive of an overly depressed pair.
- Despite some moderation in net outflow pressure, the PHP remains under negative pressure, with the USD-PHP clearing 48.00 in a hurry.

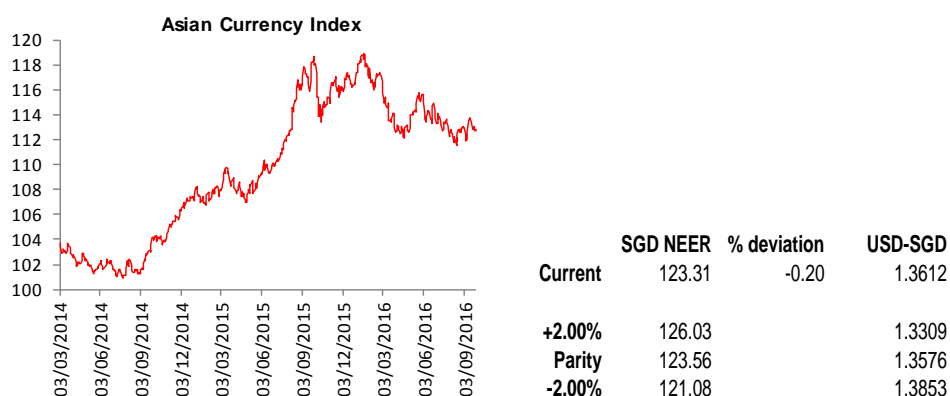
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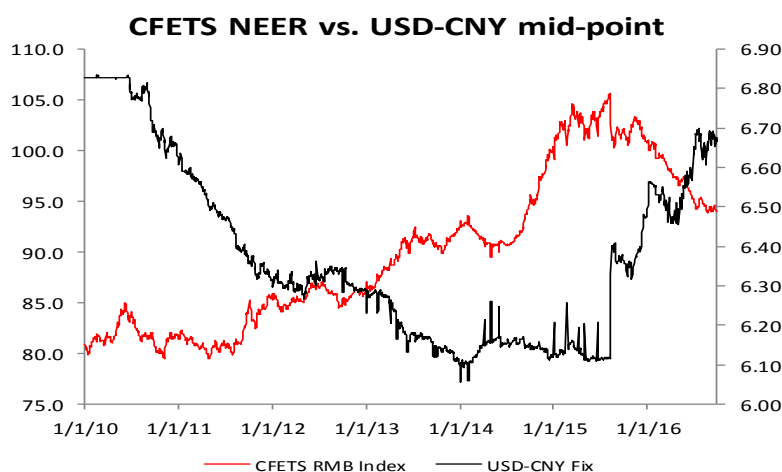
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Source: OCBC Bank

- This morning, the **CFETS RMB Index** softened to 94.00 from 94.07 on Wednesday, with the USD-CNY mid-point firming (as largely expected) to 6.6700 from 6.6681 yesterday. From a NEER perspective, we will monitor the time path of the Index post-SDR and the Golden Week holidays for a clearer read on the authorities' intentions.



Source: OCBC Bank, Bloomberg

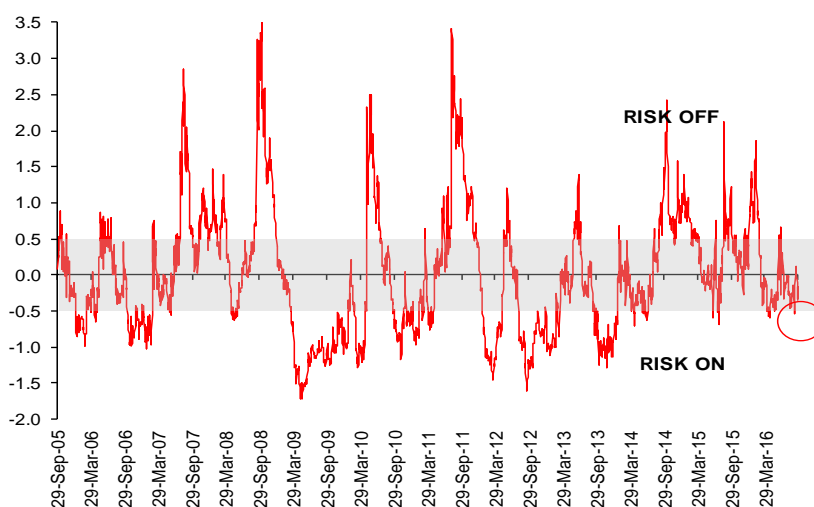
G7

- **EUR-USD** Look towards the slew of EZ Sep confidence indicators and German CPI headlines later today for domestic EUR cues while the ECB's Constancio and Praet are scheduled to make appearances. In the near term, first support is seen into 1.1200 before the 100-day MA (1.1185). Resistance levels at 1.1250 and then at 1.1284 may remain in play, cordoning off the pair in the interim.
- **USD-JPY** Despite latest Fed rhetoric suggesting the November meeting is "live" and mildly supportive (if not mixed) Aug durable goods orders, USD-JPY may continue to run out of puff towards 101.50 on prevailing skepticism toward the USD. Initial support is expected into 100.50.
- **AUD-USD** In pursuit of positive risk and yield, the AUD-USD may

continue to contemplate the 0.7700 resistance with 0.7750 fair game thereafter. The RBA meeting is next week but at this juncture, expectations for the central bank to backtrack from a perceived neutral stance remains lacking.

- GBP-USD** Bearish comments from the BOE's Shafik on Wednesday may continue to put a damper over undue GBP positivity in the near term. Our multi-session view remains unchanged and would look to fade rallies within the 55-day MA (1.3141) and 1.2900.

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	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

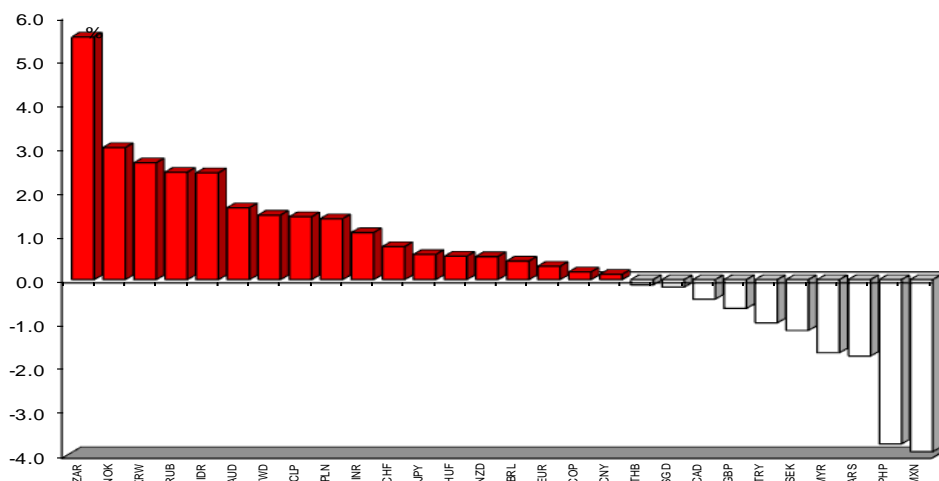
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1188	1.1200	1.1223	1.1285	1.1300
GBP-USD	1.2915	1.3000	1.3020	1.3100	1.3134
AUD-USD	0.7593	0.7600	0.7692	0.7700	0.7732
NZD-USD	0.7205	0.7238	0.7288	0.7300	0.7419
USD-CAD	1.3000	1.3053	1.3066	1.3100	1.3230
USD-JPY	99.88	101.00	101.33	101.96	102.00
USD-SGD	1.3523	1.3600	1.3613	1.3687	1.3698
EUR-SGD	1.5126	1.5200	1.5277	1.5291	1.5300
JPY-SGD	1.3267	1.3400	1.3433	1.3500	1.3601
GBP-SGD	1.7496	1.7700	1.7723	1.7759	1.7800
AUD-SGD	1.0400	1.0465	1.0471	1.0492	1.0500
Gold	1302.10	1302.75	1324.00	1332.54	1349.93
Silver	18.62	19.30	19.32	19.40	19.57
Crude	45.59	47.10	47.13	47.20	47.98

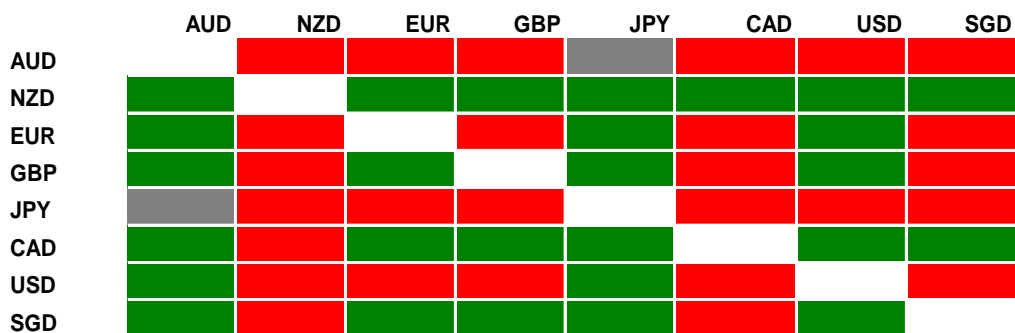
Source: OCBC Bank

FX performance: 1-month change agst USD



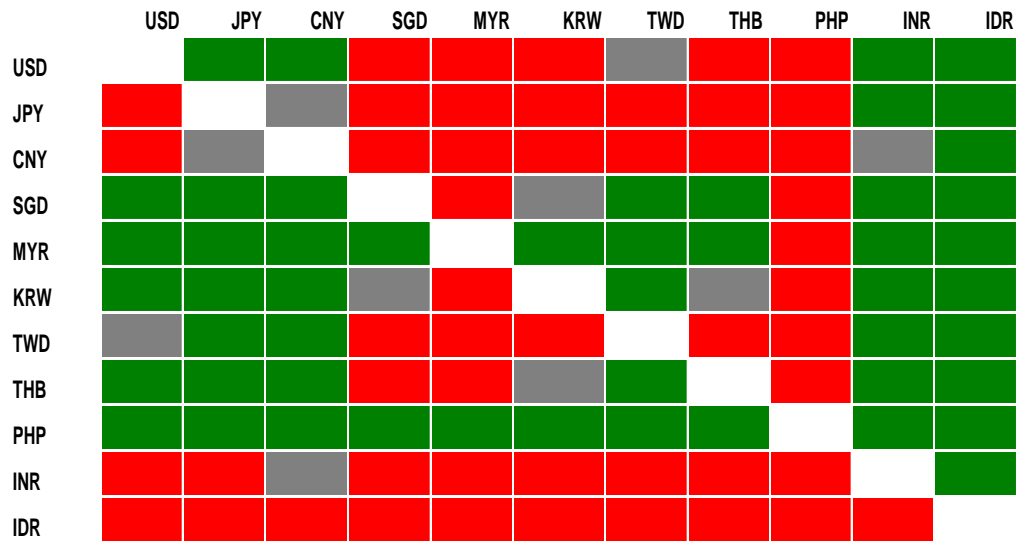
Source: Bloomberg

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	
TACTICAL								
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	
STRUCTURAL								
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	
RECENTLY CLOSED								
	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 cyclical, 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
Jan-Aug 2016 Return								+7.80

Source: OCBC Bank

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