

Thursday, February 02, 2017

**FX Themes/Strategy/Trading Ideas**

- Despite a slightly firmer UST curve, the dollar pared intra-day highs but still managed to end mixed to slightly firmer across G10 space. Note that earlier in the session, the greenback had been given a boost following hotter than expected Jan ISM and ADP numbers. Elsewhere, risk appetite levels remained largely sanguine amidst positive EZ/US equities and somewhat supportive global manufacturing PMIs, with the **FXSI (FX Sentiment Index)** inching lower within Risk-On territory.
- With the FOMC statement best described as unhurried and the implied disparity between market implied odds and the dot plots, we continue to stay tactically short the greenback (see table on last page), with the DXY also still below 100.00 once again.

**Asian FX**

- We look for the **ACI (Asian Currency Index)** to continue to fade post-FOMC with the KRW and TWD expected to remain relatively more responsive, while the SGD may be hampered by NEER considerations.
- **SGD NEER:** After starting the day fairly elevated on Wednesday, the SGD NEER has settled lower to hover around parity (1.4128) at around +0.05% by early Thursday in Asia. NEER-implied USD-SGD thresholds are largely static with -0.50% estimated at 1.4199 and +0.50% at 1.4058. As noted previously, any drift by the NEER above its perceived parity is likely to be transient given the current monetary stance of the authority.
- Meanwhile, the USD-SGD has managed to bounce off its 382 Fibo retracement of 1.4089 but this support we think may continue to remain at risk of a breach. Note that sub-1.4070, there is little else of substance till 1.4000. However, we also remain wary towards too rapid a down move in the USD-SGD in view of its volatility indicators.

Corporate FX &  
Structured Products  
Tel: 6349-1888 / 1881  
Fixed Income &  
Structured Products  
Tel: 6349-1810

Investments &  
Structured Product  
Tel: 6349-1886

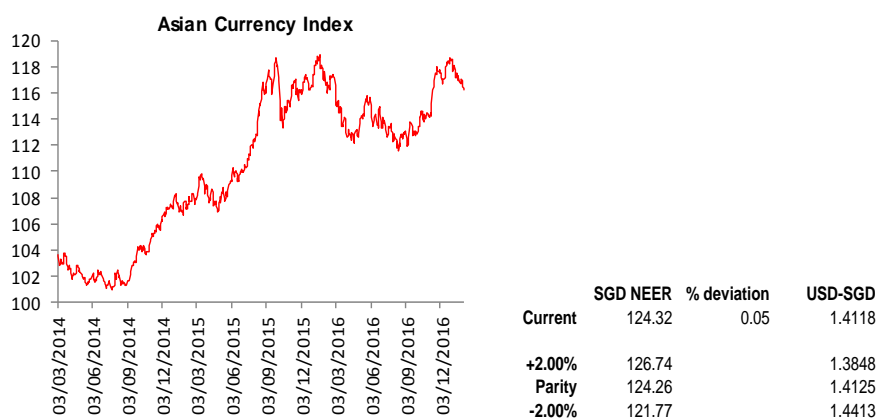
Interest Rate Derivatives  
Tel: 6349-1899

Treasury Research &  
Strategy  
Tel: 6530-4887

**Emmanuel Ng**

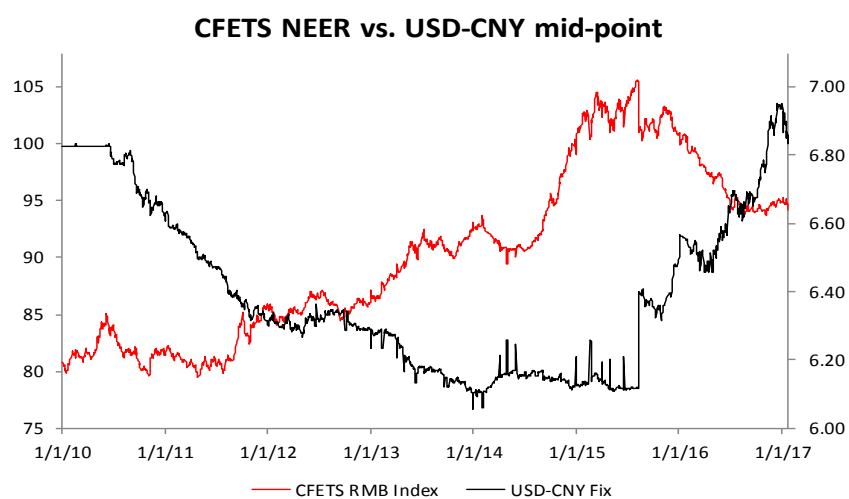
+65 6530 4073

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

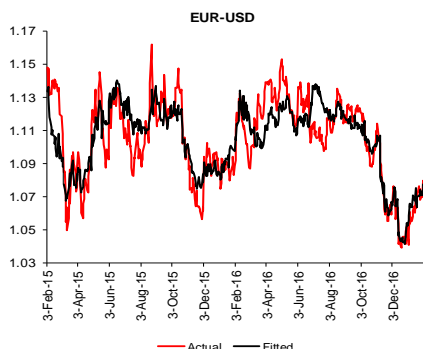


Source: OCBC Bank

- **CFETS RMB Index: China holiday.**

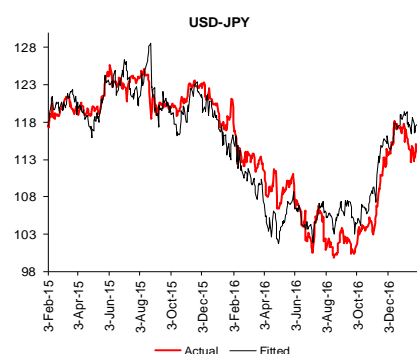


Source: OCBC Bank, Bloomberg

**G7**

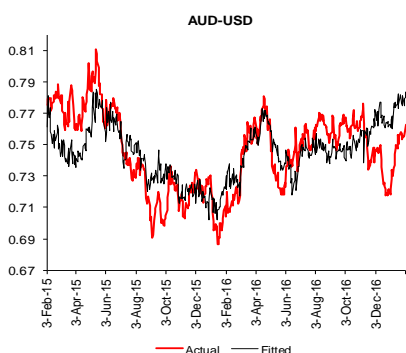
Source: OCBC Bank

- **EUR-USD** EUR-USD may continue to be buoyed by its still firming short term valuations and with the EZ Jan manufacturing PMI coming in at a warmer than expected 55.2. In the interim, a significant hurdle continues to reside around 1.0800, beyond which 1.0825 and 1.0875 thereafter may offer some further resistance.



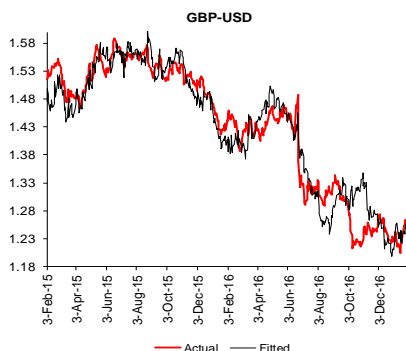
Source: OCBC Bank

- **USD-JPY** Short term valuations for the USD-JPY remain somewhat depressed despite Japanese officials rejecting US accusations of currency devaluations by its major trading partners. We continue to see scope for a test towards the 112.00 support.



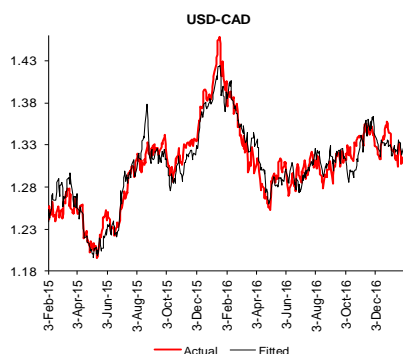
Source: OCBC Bank

- **AUD-USD** Despite some market participants angling for RBA rate cuts this year, the better than expected December trade surplus of AUD3.51bn and positive risk appetite levels may continue to keep the AUD-USD aloft. With the 0.7600 level now perforated, firmer implied short term valuations may portend a probe towards 0.7645.



Source: OCBC Bank

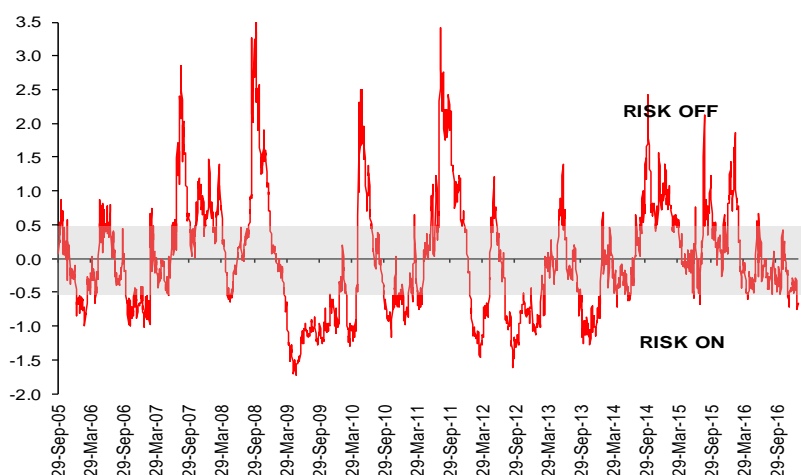
- **GBP-USD** The A50 bill passed its first vote without incident on Wednesday with investors still expected to remain sensitive to the ongoing legislative process (White Paper to be released today). Today, any hint of bullishness/hawkishness from the BOE MPC (and the Inflation Report) may further encourage GBP-USD yet higher in line with its implied short term valuations. The pair however may have its work cut out for it, with resistance expected at 1.2700, 1.2725, and 1.2775.



Source: OCBC Bank

- USD-CAD** A better than expected January manufacturing PMI helped weigh on the USD-CAD on Wednesday. Our tactical view remains unchanged with the 1.3000 support still looking threatened (ahead of 1.2670) despite fairly static short term valuations.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1.000	-0.315	0.865	-0.527	-0.816	-0.504	0.942	-0.201	0.276	-0.668	0.718	-0.984
CHF	0.981	-0.368	0.870	-0.509	-0.807	-0.426	0.903	-0.276	0.240	-0.684	0.694	-0.977
TWD	0.956	-0.414	0.802	-0.551	-0.802	-0.713	0.870	-0.030	0.392	-0.459	0.610	-0.922
JPY	0.942	-0.075	0.838	-0.314	-0.727	-0.517	1.000	-0.096	0.157	-0.625	0.740	-0.938
SGD	0.935	-0.131	0.802	-0.383	-0.753	-0.499	0.952	-0.221	0.182	-0.621	0.788	-0.947
KRW	0.929	-0.414	0.854	-0.509	-0.778	-0.641	0.855	-0.184	0.187	-0.498	0.701	-0.895
THB	0.914	-0.523	0.732	-0.433	-0.805	-0.404	0.847	-0.099	0.048	-0.611	0.339	-0.882
MYR	0.895	-0.558	0.732	-0.603	-0.848	-0.459	0.730	-0.056	0.357	-0.588	0.444	-0.870
CNY	0.865	-0.075	1.000	-0.174	-0.511	-0.761	0.838	0.006	0.049	-0.434	0.832	-0.851
CAD	0.774	-0.015	0.390	-0.625	-0.808	-0.407	0.777	-0.384	0.512	-0.658	0.631	-0.754
CNH	0.718	0.083	0.832	-0.218	-0.523	-0.745	0.740	-0.382	0.200	-0.243	1.000	-0.758
CCN12M	0.570	0.095	0.750	-0.218	-0.520	-0.525	0.593	0.191	0.259	-0.299	0.636	-0.613
INR	0.550	-0.195	0.438	-0.338	-0.432	-0.297	0.423	-0.526	0.010	-0.633	0.478	-0.489
IDR	0.410	0.242	0.368	-0.318	-0.648	-0.349	0.462	0.119	0.460	-0.518	0.302	-0.410
USGG10	-0.315	1.000	-0.075	0.604	0.315	-0.014	-0.075	0.193	-0.147	0.076	0.083	0.277
PHP	-0.504	0.567	-0.479	0.115	0.285	0.178	-0.461	-0.105	0.240	0.137	-0.159	0.488
GBP	-0.711	0.594	-0.528	0.626	0.504	0.352	-0.561	0.557	-0.295	0.381	-0.473	0.724
AUD	-0.936	0.287	-0.817	0.440	0.850	0.536	-0.923	0.047	-0.228	0.552	-0.698	0.944
NZD	-0.964	0.466	-0.793	0.584	0.837	0.430	-0.895	0.205	-0.268	0.606	-0.633	0.951
EUR	-0.984	0.277	-0.851	0.471	0.794	0.522	-0.938	0.220	-0.285	0.622	-0.758	1.000

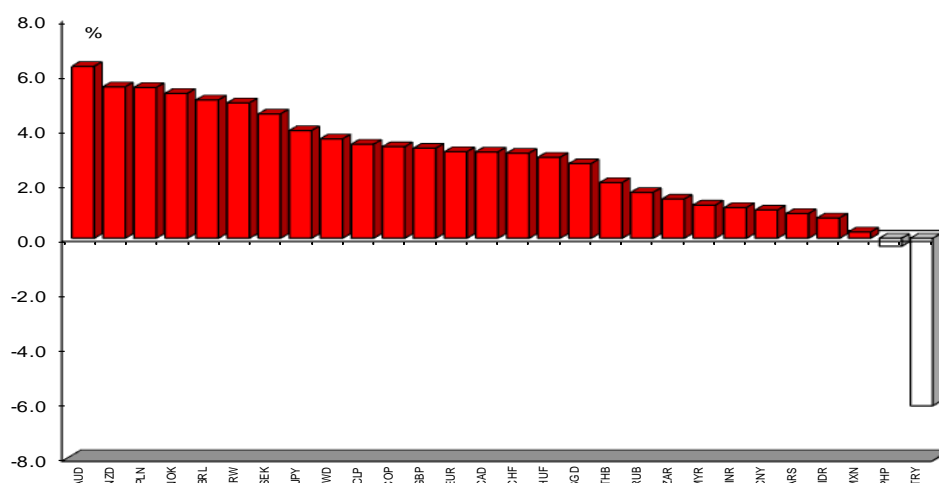
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0591	1.0700	1.0780	1.0800	1.0812
GBP-USD	1.2420	1.2600	1.2674	1.2680	1.2700
AUD-USD	0.7487	0.7600	0.7625	0.7631	0.7684
NZD-USD	0.7102	0.7200	0.7296	0.7300	0.7350
USD-CAD	1.2977	1.3000	1.3024	1.3100	1.3128
USD-JPY	112.08	113.00	113.08	114.00	115.18
USD-SGD	1.4069	1.4100	1.4117	1.4200	1.4304
EUR-SGD	1.5184	1.5200	1.5218	1.5281	1.5300
JPY-SGD	1.2400	1.2417	1.2485	1.2500	1.2585
GBP-SGD	1.7770	1.7800	1.7891	1.7900	1.8020
AUD-SGD	1.0591	1.0700	1.0763	1.0800	1.0854
Gold	1177.17	1200.00	1212.40	1220.10	1221.92
Silver	16.71	17.60	17.61	17.61	17.67
Crude	52.85	53.50	53.56	53.60	54.69

Source: OCBC Bank

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



Source: Bloomberg

### G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD		Green	Red	Red	Green	Red	Red	Red	Red
NZD	Red		Red	Red	Green	Red	Red	Red	Red
EUR	Green	Green		Grey	Green	Red	Red	Red	Red
GBP	Green	Green	Grey		Green	Red	Red	Red	Red
JPY	Red	Red	Red	Red		Red	Red	Red	Red
CAD	Green	Green	Green	Green	Green		Red	Green	Green
USD	Green	Green	Green	Green	Green	Green		Green	Green
SGD	Green	Green	Green	Green	Green	Red	Red		Green
MYR	Green	Green	Green	Green	Green	Red	Red	Red	

Source: OCBC Bank

**Asia FX Heat Map**

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD											
JPY											
CNY											
SGD											
MYR											
KRW											
TWD											
THB											
PHP											
INR											
IDR											

Source: OCBC Bank

### FX Trade Ideas

FX Trade Room								
	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	09-Jan-17	S	USD-CAD	1.3264	1.2740	1.3135	Supportive crude and labor market numbers	
2	12-Jan-17	S	USD-JPY	114.63	110.50	116.75	Downward consolidation post-Trump press conference	
3	12-Jan-17	B	AUD-USD	0.7463	0.7670	0.7355	Reflation may dominate as the Trump trade pauses	
4	18-Jan-17	B	EUR-USD	1.0688	1.1015	1.0520	Dollar hiccup, hint of inflation in EZ	
5	20-Jan-17	S	USD-SGD	1.4240	1.4005	1.4360	Potential for Trump's inauguration to disappoint USD bulls	
6	25-Jan-17	B	GBP-USD	1.2528	1.2910	1.2335	Subsidence of acute A50 concerns in the short term	
	STRUCTURAL							
7	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
8	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
9	28-Nov-16	S	EUR-USD	1.0641	0.9855	1.1035	USD in ascendance, political risk premium in EZ	
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	20-Dec-16	05-Jan-17	B	USD-SGD	1.4481	1.4399	Hostile USD/risk appetite environment for Asian FX, SGD	-0.57
2	19-Dec-16	10-Jan-17	S	AUD-USD	0.7294	0.7359	FOMC outcome forcing a near term reassessment of carry	-0.93
3	20-Dec-16	12-Jan-17	CLS	Bearish 2M AUD-USD Seagull Spot: 0.7243; Strikes: 0.7007, 0.7232, 0.7451; Cost: 0.41%			USD resilience, reassessment of carry, static RBA, sketchy fiscal outlook	-1.75*
4	27-Dec-16	23-Jan-17	CLS	GBP-USD	1.2276	1.2386	A50 risks, UK current account deficits, broad USD strength	-0.77
	*of notional							
	2016 Return							+6.91

Source: OCBC Bank

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

---

Co.Reg.no.:193200032W