

**Monday, April 10, 2017**

**FX Themes/Strategy/Trading Ideas – The week ahead**

- Despite disappointing March NFP numbers (headline +98k; Feb revised lower to +219k, but unemployment rate dropped to 4.50%), the greenback eventually pulled higher to end stronger on the day (note firmer UST curve with front to belly underperforming) against its counterparts following comments from the Fed's Dudley. The NY Fed President noted that Fed balance sheet reduction might only prompt only a "little pause" in rate hikes. He also reiterated that rates would remain a primary tool of monetary policy. Overall, Dudley's latest comments continue to gel with our view that potential balance sheet reduction would not detract substantially from the Fed's projected rate trajectory.
- With regards to the global calendar, the **Bank of Canada** is expected to stand pat at 0.50% on Wednesday, **Australian March labor market numbers** are due Thursday, while the **Bank of Korea** is also expected to remain static at 1.25% also on Thursday. **Fed speak** includes Bullard (0305 GMT) and **Yellen** (2000 GMT) today, Kashkari on Tuesday, and Kaplan and Wednesday.
- Elsewhere, the **Xi-Trump meeting** did not yield unduly negative headlines with all eyes to turn to the US Treasury Report due this week. In a nutshell, we expect the US Treasury to hold off on labelling China as a currency manipulator. On other fronts, China's foreign reserves continued to stabilize and rose slightly to USD3.009tn from USD3.005tn the previous month. This however, will not preclude the USD-CNY mid-point from reacting to a firmer broad USD. On the data front, look also to March monetary aggregates due this week while March CPI data is due Wed and trade numbers are due on Thursday.
- On the **CFTC** front, large non-commercial accounts pared their net implied long dollar bias in the latest week but leveraged accounts increased their net implied long dollar bias. Meanwhile, asset managers also pared their net implied short dollar bias in the latest week.
- Going ahead, geopolitical tensions surrounding Syria may continue to circulate in the background, with a US carrier group moving towards the Korean peninsula. Post Dudley, the USD is expected to start the week on a firm footing, especially if geopolitical concerns lend additional support. To this end, note that the **FXSI (FX Sentiment Index)** inched higher for a second consecutive session on Friday to end higher on the week.

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

Investments &  
Structured Product  
Tel: 6349-1886

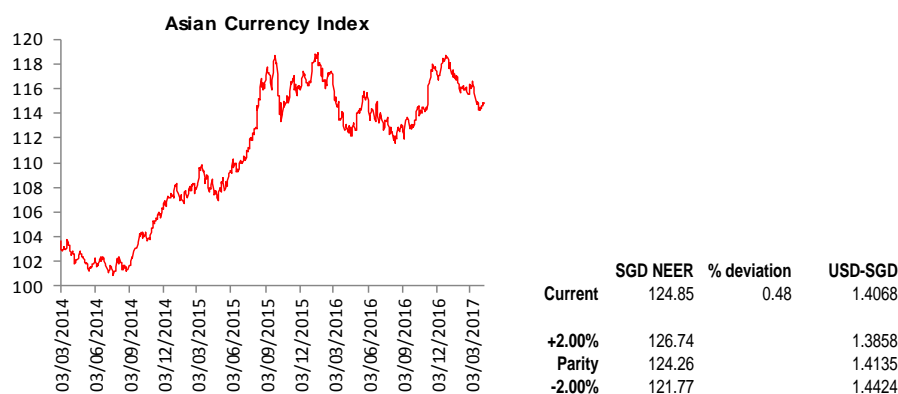
Interest Rate Derivatives  
Tel: 6349-1899

Treasury Research &  
Strategy  
Tel: 6530-4887

**Emmanuel Ng**  
+65 6530 4073  
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

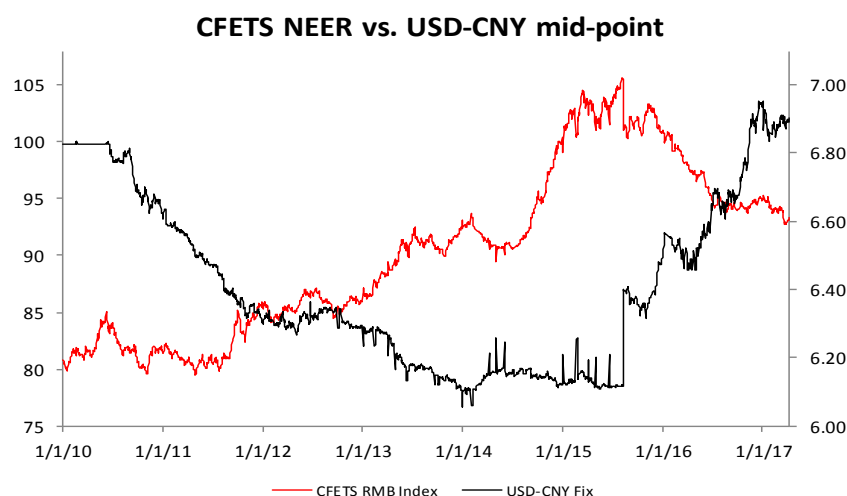
## Asian FX

- On the **EPFR** front, data continued to show healthy implied net inflows into regional (ex-JPN, China) equities, albeit moderating slightly from the previous week. Implied net inflows into regional bonds also picked up significantly from the previous week. Although this augers well for Asian FX resilience, we think implicit USD resilience (on the back of Fed rate hike arguments) may take precedence at the beginning of the week. Expect therefore the **ACI (Asian Currency Index)** to continue to eye firmer levels.
- SGD NEER:** This morning, with the broad dollar on a higher ledge, the SGD NEER starts the week lower on the day around +0.47% above its perceived parity (1.4135). NEER-implied USD-SGD thresholds are firmer on the day with +0.50% estimated at 1.4065 and the NEER may be expected to hover at current levels pending external risks. USD-SGD meanwhile is expected to start the week flat to biddish, with the 55-day MA (1.4098) the nearest resistance.

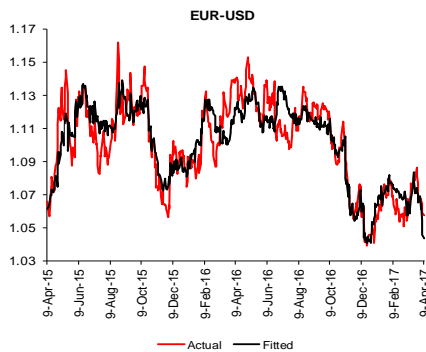


Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point came in at a lower than expected 6.9042 on Monday from 6.8949 on Friday. However, this left the **CFETS RMB Index** higher (as largely expected) at 93.39 from 93.22.

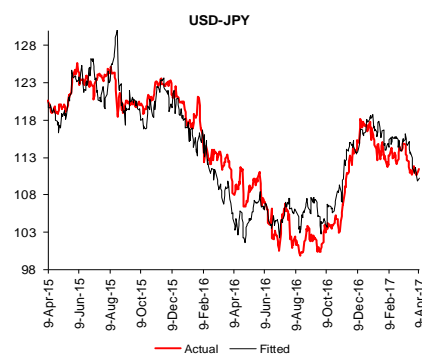


Source: OCBC Bank, Bloomberg

**G7**

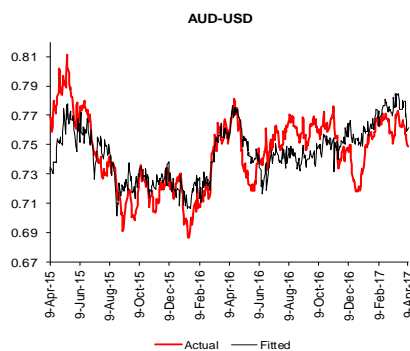
Source: OCBC Bank

- **EUR-USD** Apart from dollar dynamics, the EUR may also be increasingly weighed by caution ahead of the French Presidential elections on 23 Apr 17, with short-end riskies also moving to favor EUR puts significantly. Short term implied valuations are also sliding, opening up further leeway on the downside ahead of Constancio (1300 GMT) today. Technically, if 1.0585 is lost, look towards 1.0520/50.



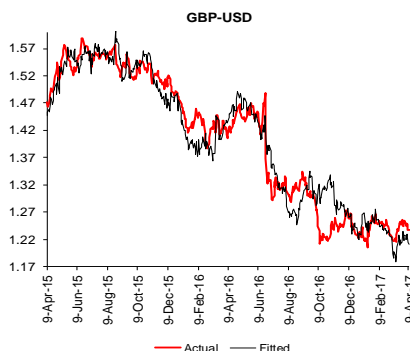
Source: OCBC Bank

- **USD-JPY** USD-JPY lifted past 111.00 post-Dudley (and briefly above 111.50 this morning) while policy dichotomy may continue to be brought into focus with the BOJ's Kuroda on Monday morning reiterating a commitment to expansionary monetary policy. However, we note that potential risk aversion remains a wildcard, with short-end riskies implying a heavy profile for the pair since late last week. Overall, expect a supported tone within 110.00-112.00 in the interim.



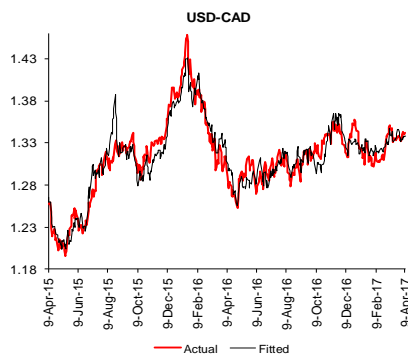
Source: OCBC Bank

- **AUD-USD** AUD-USD has also reacted to a firmer dollar environment with the pair tripping below 0.7500 early Monday with soft iron ore an added weight. Pending labor market numbers this week, short term implied valuations remain suppressed and 0.7450/70 may continue to attract.



Source: OCBC Bank

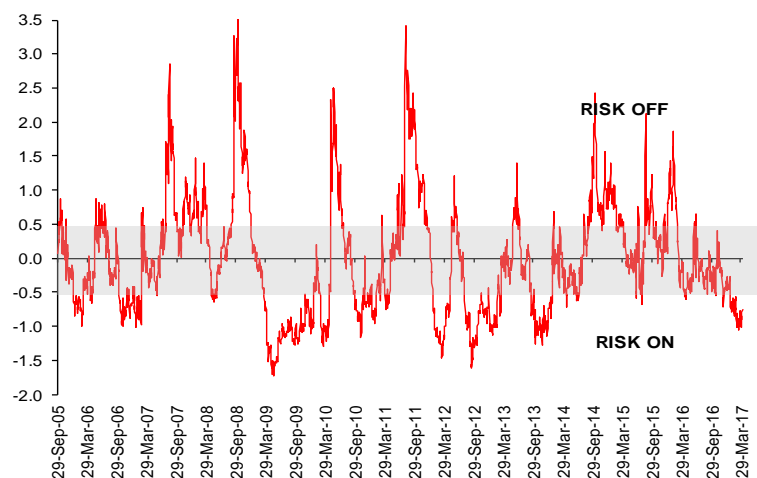
- **GBP-USD** GBP-USD sank below 1.2400 on Friday on a mixture of disappointing February industrial production/ trade deficit numbers and a subsequent climb in the broad dollar. Key data points this week include March CPI readings on Tuesday while the BOE's Carney speaks on Wednesday (remains to be seen if he will parrot Vlighe's dovish comments last week). Short term implied valuations have also turned south, the support level at 1.2345 going increasingly conspicuous ahead of 1.2300.



Source: OCBC Bank

- USD-CAD** In spite of broad USD gains, the USD-CAD eased slightly by late NY as WTI jumped above 52.00 on the back of the US missile strikes in Syria and better than expected March Canadian labor market numbers. Contravening forces in the interim therefore may continue to keep the short term implied valuations fairly retrained and static ahead of the BOC policy meeting this week. USD-CAD may orbit 1.3400 pending further news flow.

### 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  | 0.512  | 0.877  | 0.572  | -0.420 | 0.034  | 0.593  | 0.421  | -0.237 | -0.488 | 0.736  | -0.894 |
| CHF      | 0.962  | 0.331  | 0.763  | 0.458  | -0.287 | 0.215  | 0.435  | 0.570  | -0.137 | -0.448 | 0.770  | -0.948 |
| CNY      | 0.877  | 0.702  | 1.000  | 0.754  | -0.498 | -0.139 | 0.804  | 0.081  | -0.435 | -0.546 | 0.524  | -0.642 |
| SGD      | 0.822  | 0.761  | 0.739  | 0.364  | -0.675 | -0.371 | 0.767  | -0.005 | -0.110 | -0.470 | 0.699  | -0.598 |
| MYR      | 0.810  | 0.686  | 0.866  | 0.572  | -0.679 | -0.289 | 0.778  | -0.004 | -0.167 | -0.566 | 0.419  | -0.557 |
| KRW      | 0.780  | 0.750  | 0.826  | 0.520  | -0.757 | -0.353 | 0.820  | -0.073 | -0.177 | -0.587 | 0.472  | -0.499 |
| TWD      | 0.774  | 0.827  | 0.854  | 0.563  | -0.760 | -0.442 | 0.877  | -0.157 | -0.232 | -0.514 | 0.438  | -0.479 |
| CNH      | 0.736  | 0.354  | 0.524  | 0.199  | -0.097 | 0.125  | 0.345  | 0.368  | -0.110 | -0.318 | 1.000  | -0.742 |
| IDR      | 0.664  | 0.800  | 0.736  | 0.610  | -0.811 | -0.532 | 0.851  | -0.231 | -0.342 | -0.597 | 0.286  | -0.337 |
| CCN12M   | 0.654  | 0.857  | 0.792  | 0.517  | -0.755 | -0.569 | 0.922  | -0.391 | -0.326 | -0.412 | 0.459  | -0.287 |
| CAD      | 0.602  | 0.297  | 0.379  | -0.079 | -0.364 | -0.206 | 0.336  | 0.141  | 0.133  | -0.132 | 0.722  | -0.526 |
| JPY      | 0.593  | 0.963  | 0.804  | 0.687  | -0.804 | -0.599 | 1.000  | -0.402 | -0.516 | -0.488 | 0.345  | -0.223 |
| THB      | 0.586  | 0.923  | 0.825  | 0.577  | -0.825 | -0.621 | 0.935  | -0.380 | -0.320 | -0.520 | 0.298  | -0.210 |
| USGG10   | 0.512  | 1.000  | 0.702  | 0.609  | -0.790 | -0.670 | 0.963  | -0.522 | -0.497 | -0.468 | 0.354  | -0.131 |
| PHP      | 0.226  | 0.541  | 0.285  | 0.068  | -0.749 | -0.680 | 0.532  | -0.486 | 0.153  | 0.043  | -0.003 | -0.025 |
| INR      | 0.163  | 0.783  | 0.389  | 0.331  | -0.824 | -0.847 | 0.769  | -0.713 | -0.278 | -0.118 | 0.000  | 0.215  |
| AUD      | -0.565 | 0.058  | -0.136 | 0.238  | 0.144  | -0.193 | 0.041  | -0.587 | -0.371 | 0.129  | -0.616 | 0.693  |
| GBP      | -0.779 | -0.848 | -0.869 | -0.640 | 0.729  | 0.458  | -0.896 | 0.151  | 0.452  | 0.482  | -0.519 | 0.432  |
| NZD      | -0.834 | -0.425 | -0.536 | -0.245 | 0.378  | -0.014 | -0.439 | -0.427 | 0.055  | 0.461  | -0.789 | 0.793  |
| EUR      | -0.894 | -0.131 | -0.642 | -0.346 | 0.093  | -0.385 | -0.223 | -0.719 | 0.005  | 0.341  | -0.742 | 1.000  |

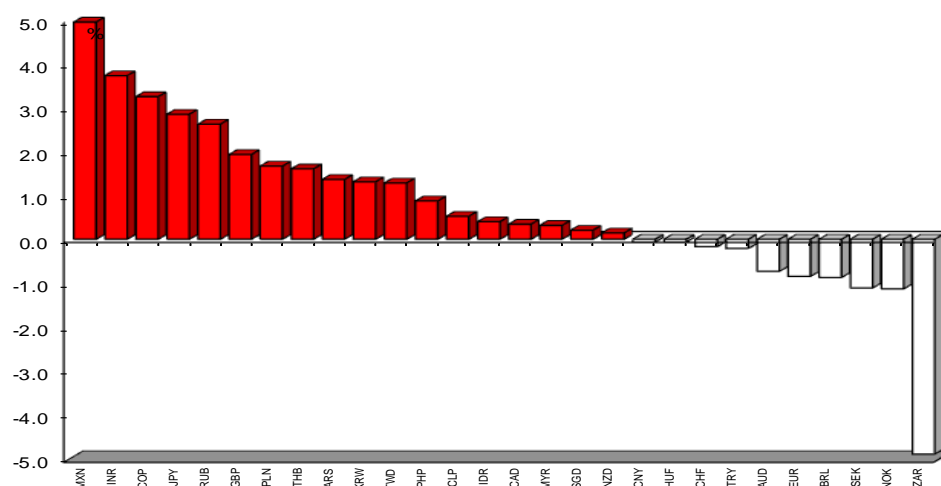
Source: Bloomberg

### Immediate technical support and resistance levels

|         | S2      | S1      | Current | R1      | R2      |
|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1.0500  | 1.0554  | 1.0576  | 1.0600  | 1.0663  |
| GBP-USD | 1.2241  | 1.2300  | 1.2379  | 1.2400  | 1.2413  |
| AUD-USD | 0.7450  | 0.7482  | 0.7485  | 0.7500  | 0.7549  |
| NZD-USD | 0.6900  | 0.6913  | 0.6927  | 0.7000  | 0.7082  |
| USD-CAD | 1.3279  | 1.3400  | 1.3421  | 1.3455  | 1.3500  |
| USD-JPY | 110.11  | 111.00  | 111.50  | 112.00  | 112.68  |
| USD-SGD | 1.3927  | 1.4000  | 1.4075  | 1.4076  | 1.4092  |
| EUR-SGD | 1.4804  | 1.4816  | 1.4885  | 1.4900  | 1.5008  |
| JPY-SGD | 1.2492  | 1.2600  | 1.2624  | 1.2700  | 1.2734  |
| GBP-SGD | 1.7200  | 1.7400  | 1.7424  | 1.7476  | 1.7500  |
| AUD-SGD | 1.0500  | 1.0512  | 1.0535  | 1.0600  | 1.0738  |
| Gold    | 1211.12 | 1234.12 | 1251.10 | 1262.18 | 1269.10 |
| Silver  | 17.79   | 17.90   | 17.96   | 18.00   | 18.17   |
| Crude   | 52.18   | 52.30   | 52.32   | 52.40   | 52.59   |

Source: OCBC Bank

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

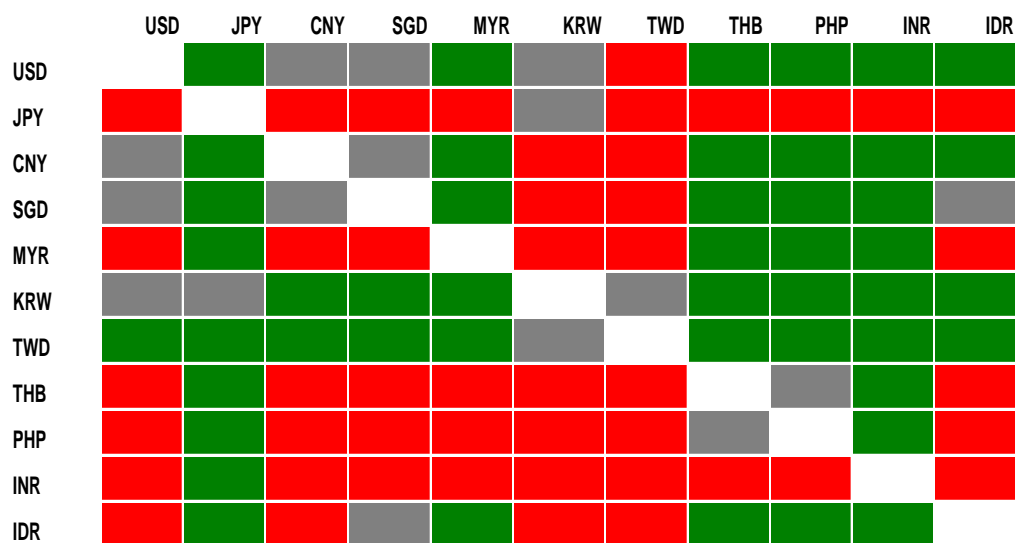


Source: Bloomberg

### G10 FX Heat Map

|     | AUD | NZD | EUR | GBP | JPY | CAD | USD | SGD | MYR |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| AUD |     |     |     |     |     |     |     |     |     |
| NZD |     |     |     |     |     |     |     |     |     |
| EUR |     |     |     |     |     |     |     |     |     |
| GBP |     |     |     |     |     |     |     |     |     |
| JPY |     |     |     |     |     |     |     |     |     |
| CAD |     |     |     |     |     |     |     |     |     |
| USD |     |     |     |     |     |     |     |     |     |
| SGD |     |     |     |     |     |     |     |     |     |
| MYR |     |     |     |     |     |     |     |     |     |

Source: OCBC Bank

**Asia FX Heat Map**

Source: OCBC Bank

## FX Trade Ideas

| FX Trade Ideas |                             |           |     |  |        |        |                    |   |                                    |                |
|----------------|-----------------------------|-----------|-----|--|--------|--------|--------------------|---|------------------------------------|----------------|
|                | Inception                   |           | B/S | Currency   | Spot   | Target | Stop/Trailing Stop | Rationale   |                                    |                |
|                | TACTICAL                    |           |     |  |        |        |                    |   |                                    |                |
| 1              | 01-Mar-17                   |           | B   | USD-CAD  | 1.3326 | 1.3605 | 1.3185             | BOC static in March, sharp contrast with Fed's recent posture         |                                    |                |
| 2              | 17-Mar-17                   |           | S   | USD-SGD  | 1.4029 | 1.3800 | 1.4145             | Vulnerable USD, positive risk appetite, tolerant MAS                  |                                    |                |
| 3              | 22-Mar-17                   |           | S   | USD-JPY  | 111.62 | 108.40 | 113.25             | Trump trade unwind, mild risk aversion                                |                                    |                |
| 4              | 05-Apr-17                   |           | S   | AUD-USD  | 0.7580 | 0.7405 | 0.7670             | Fragile risk appetite, slightly apprehensive RBA                      |                                    |                |
|                | STRUCTURAL                  |           |     |  |        |        |                    |   |                                    |                |
| 5              | 22-Nov-16                   |           | B   | USD-JPY  | 110.81 | 123.40 | 104.50             | Potential for a more activist Fed, static BOJ                         |                                    |                |
| 6              | 14-Feb-17                   |           |     | Bearish 2M USD-CAD Put Spread<br>Spot ref: 1.3055; Strikes: 1.3049, 1.2500<br>Cost: 1.19%        |        |        |                    | Underlying growth theme in spite of the Trump/FOMC trade              |                                    |                |
| 7              | 22-Feb-17                   |           |     | Bullish 2M AUD-USD 1X1.5 Call Spread<br>Spot ref: 0.7688; Strikes: 0.7677, 0.8041<br>Cost: 1.19% |        |        |                    | Global reflation trade, Fed expected to hike later rather than sooner |                                    |                |
|                | RECENTLY CLOSED TRADE IDEAS |           |     |  |        |        |                    |   |                                    |                |
|                | Inception                   | Close     | B/S | Currency   | Spot   |        | Close              | Rationale   | P/L (%)                            |                |
| 1              | 12-Jan-17                   | 08-Mar-17 | S   | USD-JPY  | 114.63 |        | 113.91             | Downward consolidation post-Trump press conference                    | +0.31                              |                |
| 2              | 22-Feb-17                   | 10-Mar-17 | S   | EUR-USD  | 1.0548 |        | 1.0695             | Potential near term USD strength, brewing EZ political risks          | -1.30                              |                |
| 3              | 10-Mar-17                   | 15-Mar-17 | S   | AUD-USD  | 0.7519 |        | 0.7605             | Compression in cyclical vs. USD strength                              |                                    |                |
| 4              | 25-Oct-16                   | 20-Mar-17 | B   | USD-SGD  | 1.3919 |        | 1.3984             | Bullish dollar prospects, negative space for SGD NEER                 | +0.54                              |                |
| 5              | 03-Mar-17                   | 20-Mar-17 | S   | GBP-USD  | 1.2253 |        | 1.2435             | Sustained Brexit risks vs. recent USD resilience                      | -1.46                              |                |
| 6              | 28-Nov-16                   | 27-Mar-17 | S   | EUR-USD  | 1.0641 |        | 1.0843             | USD in ascendance, political risk premium in EZ                       | -1.04                              |                |
| 7              | 27-Mar-17                   | 29-Mar-17 | B   | GBP-USD  | 1.2570 |        | 1.2390             | Spillover from buoyant EUR-USD, GBP shorts wrong footed               | -1.46                              |                |
| 8              | 17-Mar-17                   | 03-Apr-17 | B   | EUR-USD  | 1.0766 |        | 1.0645             | Dutch election news flow, abating le Pen concerns, weekend USD        | -1.14                              |                |
|                | * realized                  |           |     |  |        |        |                    |   | Jan-Feb 2017 Return<br>2016 Return | -7.14<br>+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.

---