

**Friday, November 10, 2017****FX Themes/Strategy/Trading Ideas**

- The greenback edged lower across the board on Thursday on the back of skepticism surrounding the US Senate's version of the tax proposal (especially the proposal to delay the corporate tax cut by a year). With the broad dollar impetus losing traction, investors also reacted instead to idiosyncratic factors in the other currencies. Watch this space as the House is slated to vote on its version next week with the situation regarding the Senate's version still fluid.
- On other fronts, weakness in bunds (note upwardly revised growth forecasts from the European Commission) saw the EUR underpinned against its peers on the back of supportive comments out of the ECB's Coeure, Galhau, Weidmann, and Constancio. The ECB's Mersch is scheduled for 1230 GMT.
- Meanwhile, the NZD was undermined by discord between the RBNZ and the new government. Note that this morning, NZ Finance Minister Robertson also noted that a dual mandate for the central bank may see looser policy in some instances. On the AUD front, the RBA, in its Statement on Monetary Policy, trimmed its inflation forecasts.
- Elsewhere, negative EZ/US/EM equities (note the significant swings in the N225) kept positive risk appetite in check and also resulted in the antipodeans underperforming within G10 space. On this front, note that the **FXSI (FX Sentiment Index)** continued to consolidate higher within Risk-On territory towards Risk-Neutral territory.
- Overall, the broad dollar may end the week on the back foot if US tax bill concerns continue to circulate with the DXY gravitating towards the lower reached of its recent range in the week to data. Aggregate rate differential arguments are also increasing static at this juncture and a further decay towards 94.00 for the DXY would further dilute the dollar trade. To this end, note that short-end riskies have of late shaded away from the dollar in general.

**Asian FX**

- Except for the ZAR, EM FX was still firmer on the back of the shaky USD on Thursday. This may keep the **ACI (Asian Currency Index)** slightly heavy into the end of the week although slightly more neutral risk appetite levels may constrain excessive positivity for Asian FX.
- Asian net portfolio inflow momentum continues to denote positive support for

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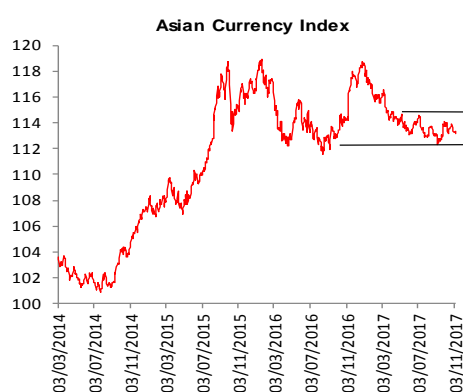
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the KRW and a slight moderation in inflow momentum for the TWD. Meanwhile, the INR may also continue to derive intrinsic support from net inflows (albeit moderating slightly) with the IDR also seen benefitting from the continued moderation in net outflow momentum. On other fronts, the THB is still perceived to be relatively more vulnerable on the back of net outflow momentum.

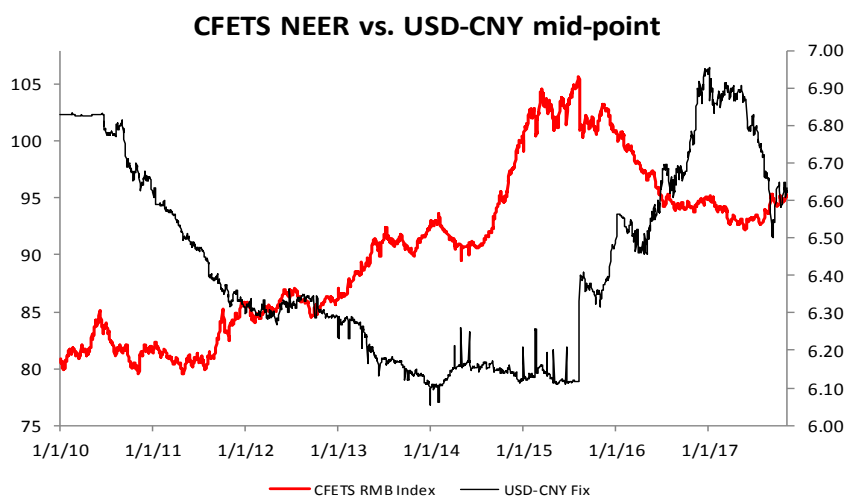
- In Asia, **BNM** and the **BSP** remained static on their policy parameters as expected on Thursday. We noted yesterday that **BNM** had the potential to sound slightly more “confident” at its policy meeting and the central bank came through as expected by stating that it “may consider reviewing the current degree of monetary accommodation”. This saw the USD-MYR and MGS tanking in reaction on Thursday. **Overall, we’d not attempt to extrapolate yesterday’s price action (for bonds and FX) too aggressively given our suspicion that BNM’s slight shift in posture should not surprise (as we hazarded yesterday, likely based on real interest rate considerations).**
- On a related note, **China’s** October CPI/PPI readings reported on Thursday were warmer than expected but this is unlikely to permeate the Asian complex significantly in the short run. Bond market bearishness meanwhile may remain slightly more confined to (and specific to) China, India, and South Korea at this juncture.
- **SGD NEER:** The SGD NEER is firmer again on the day at around +1.02% above its perceived parity (1.3727) with NEER-implied USD-SGD thresholds softer on the day. Continue to expect a +1.10% (1.3577) and +0.80% (1.3618) range to hold for the basket with the 55-day MA (1.3560) also expected to offer support. On the upside, the 100-day MA (1.3616) is expected to cap.



	SGD NEER	% deviation	USD-SGD
Current	125.52	1.02	1.3590
+2.00%	126.74		1.3457
Parity	124.26		1.3727
-2.00%	121.77		1.4007

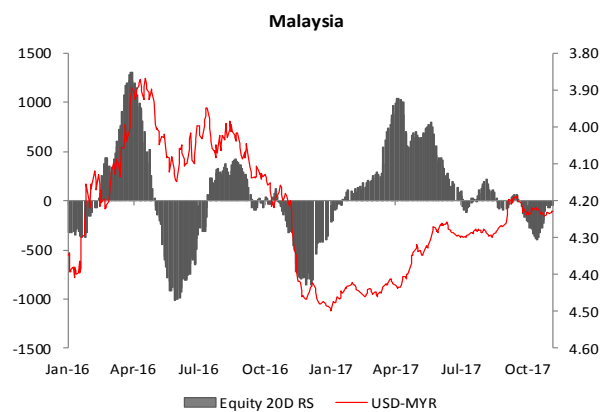
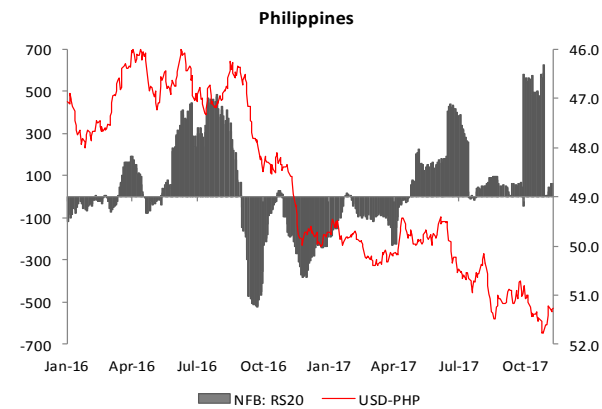
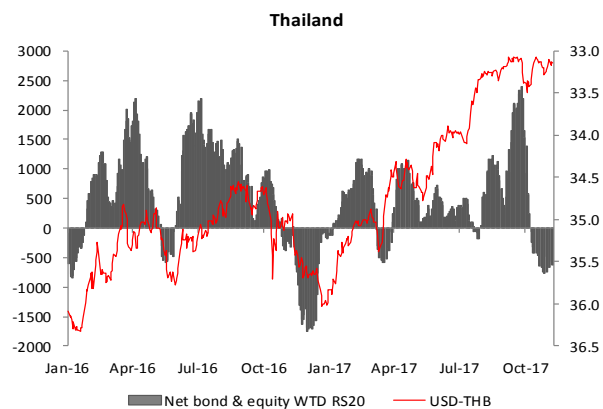
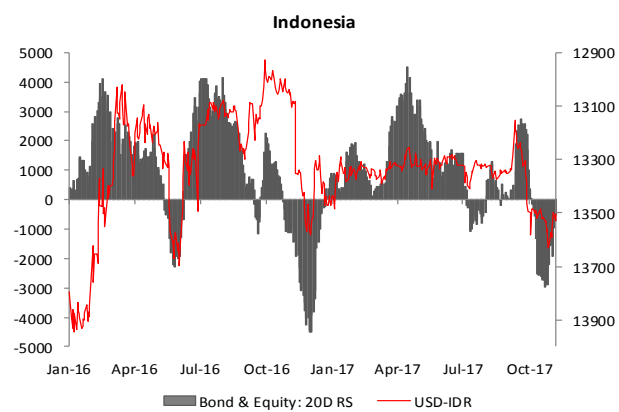
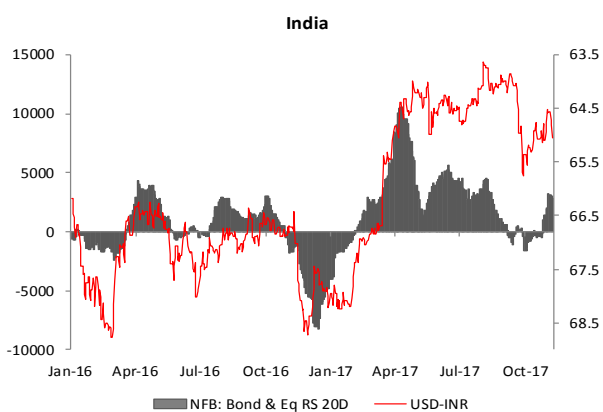
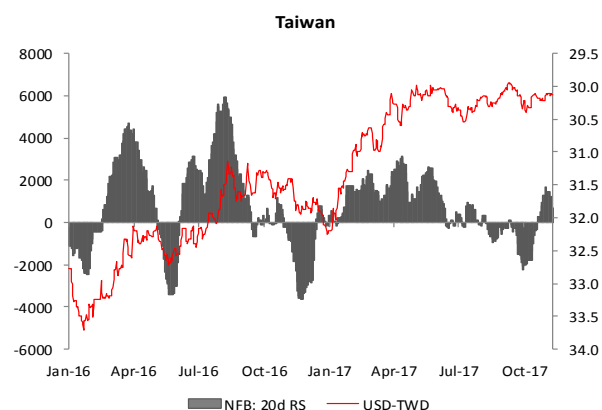
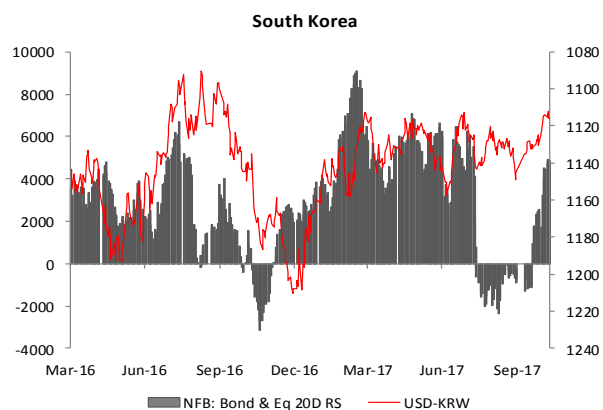
Source: OCBC Bank

- **CFETS RMB Index:** Today, the USD-CNY softened (as largely expected) to 6.6282 from 6.6325 on Thursday, resulting in the CFETS RMB Index softening further to 95.05 from 95.15 yesterday.

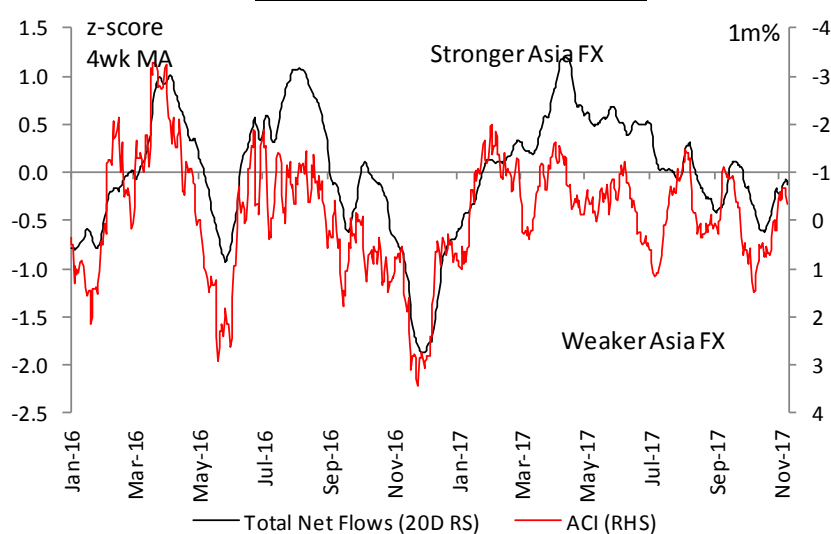


Source: OCBC Bank, Bloomberg

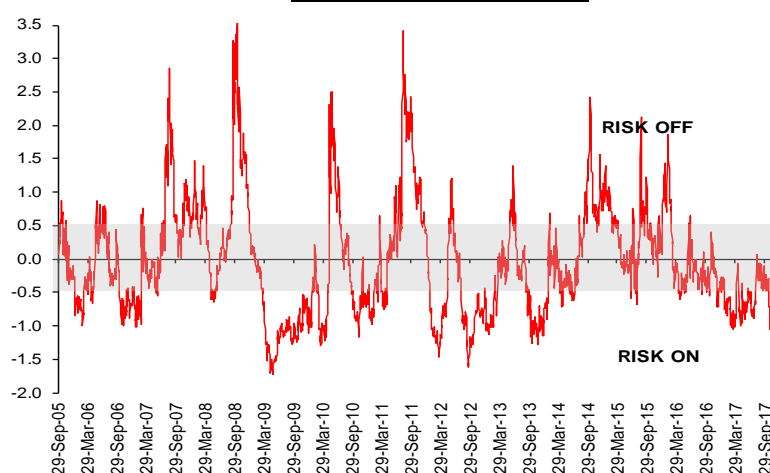
## USD-Asia VS. Net Capital Flows



### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.284	0.64	0.865	0.649	0.817	0.838	0.84	-0.092	-0.866	0.699	-0.977
CHF	0.969	0.397	0.634	0.821	0.612	0.778	0.915	0.779	0.022	-0.857	0.724	-0.927
CAD	0.877	0.577	0.628	0.607	0.362	0.577	0.849	0.561	0.233	-0.769	0.69	-0.789
JPY	0.838	0.586	0.651	0.727	0.472	0.618	1	0.605	0.19	-0.704	0.756	-0.741
SGD	0.805	0.666	0.844	0.632	0.282	0.496	0.887	0.482	0.269	-0.579	0.869	-0.708
CNH	0.699	0.601	0.963	0.566	0.322	0.502	0.756	0.557	0.427	-0.394	1	-0.647
CNY	0.64	0.542	1	0.518	0.26	0.453	0.651	0.492	0.365	-0.38	0.963	-0.585
MYR	0.484	0.43	0.516	0.206	-0.19	0.045	0.373	-0.174	0.155	-0.485	0.186	-0.181
IDR	0.479	0.754	0.494	0.124	-0.209	0.052	0.509	0.076	0.443	-0.33	0.513	-0.372
CCN12M	0.325	0.267	0.742	0.307	0.22	0.236	0.373	0.329	0.187	-0.125	0.685	-0.311
USGG10	0.284	1	0.542	-0.008	-0.32	-0.098	0.586	-0.106	0.692	-0.048	0.601	-0.144
THB	0.174	0.704	0.501	0.001	-0.444	-0.116	0.209	-0.159	0.243	-0.095	0.321	-0.048
PHP	-0.025	0.776	0.31	-0.387	-0.632	-0.405	0.132	-0.418	0.652	0.237	0.32	0.143
TWD	-0.204	0.631	0.339	-0.274	-0.612	-0.408	0.102	-0.424	0.539	0.405	0.309	0.324
INR	-0.509	0.025	0.006	-0.385	-0.377	-0.382	-0.407	-0.387	0.271	0.681	-0.062	0.474
GBP	-0.534	-0.086	-0.442	-0.608	-0.403	-0.461	-0.53	-0.496	0.148	0.359	-0.482	0.5
NZD	-0.799	-0.681	-0.696	-0.594	-0.24	-0.521	-0.889	-0.519	-0.305	0.649	-0.772	0.684
KRW	-0.819	0.085	-0.303	-0.825	-0.873	-0.903	-0.686	-0.896	0.247	0.841	-0.424	0.84
AUD	-0.904	-0.416	-0.617	-0.719	-0.538	-0.756	-0.819	-0.778	-0.036	0.787	-0.688	0.87
EUR	-0.977	-0.144	-0.585	-0.87	-0.718	-0.855	-0.741	-0.869	0.171	0.855	-0.647	1

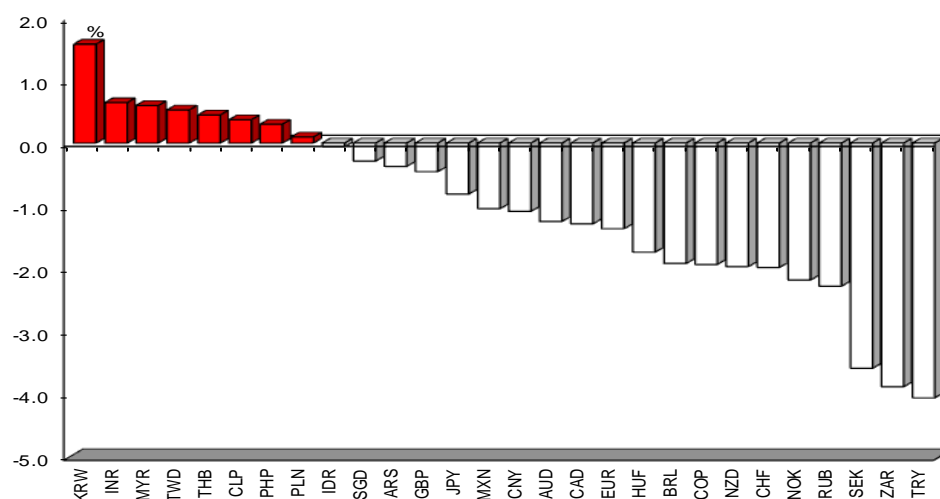
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.1554	1.1600	1.1646	1.1700	1.1793
<b>GBP-USD</b>	1.3053	1.3100	1.3142	1.3200	1.3240
<b>AUD-USD</b>	0.7600	0.7625	0.7679	0.7696	0.7700
<b>NZD-USD</b>	0.6818	0.6900	0.6928	0.7000	0.7104
<b>USD-CAD</b>	1.2496	1.2600	1.2677	1.2700	1.2917
<b>USD-JPY</b>	112.30	113.00	113.36	114.00	114.64
<b>USD-SGD</b>	1.3531	1.3553	1.3598	1.3600	1.3671
<b>EUR-SGD</b>	1.5768	1.5800	1.5836	1.5900	1.5984
<b>JPY-SGD</b>	1.1900	1.1905	1.1995	1.2000	1.2068
<b>GBP-SGD</b>	1.7760	1.7800	1.7870	1.7900	1.7948
<b>AUD-SGD</b>	1.0400	1.0410	1.0441	1.0500	1.0614
<b>Gold</b>	1264.91	1267.85	1286.20	1296.15	1296.31
<b>Silver</b>	16.67	17.00	17.02	17.10	17.17
<b>Crude</b>	51.99	57.00	57.03	57.10	57.92

Source: OCBC Bank

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



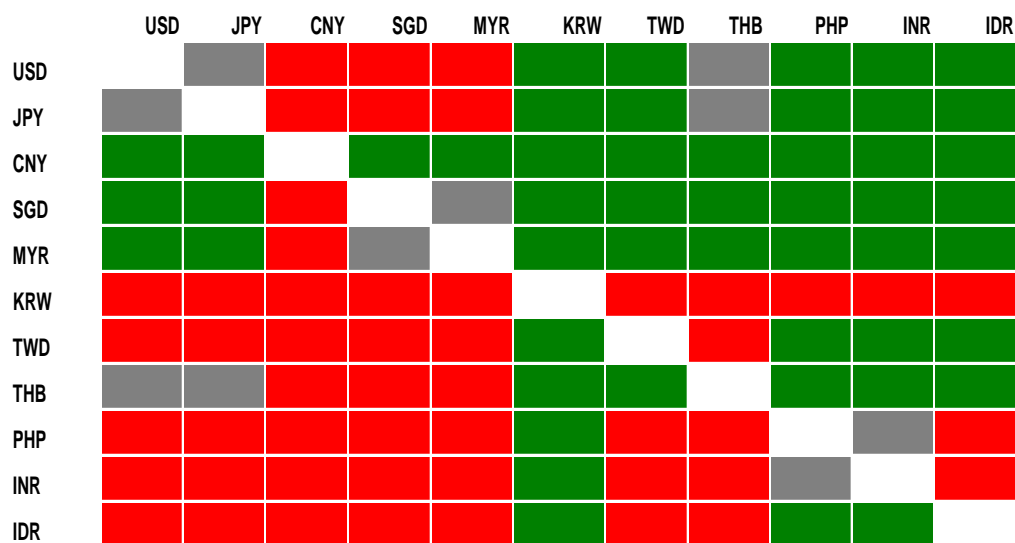
Source: Bloomberg

### G10 FX Heat Map

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

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	21-Sep-17	B	USD-JPY	112.58	115.05	111.30	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	
2	28-Sep-17	B	USD-CAD	1.2500	1.3095	1.2640	Reality check from the BOC's Poloz even as the USD garners renewed interest	
3	24-Oct-17	S	EUR-USD	1.1763	1.1535	1.1875	Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow	
4	24-Oct-17	B	USD-SGD	1.3616	1.3765	1.3540	Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in	
5	07-Nov-17	S	AUD-USD	0.7671	0.7510	0.7755	RBA on hold, no inflation or rate hike urgency	
6	07-Nov-17	S	GBP-USD	1.3142	1.2835	1.3300	Potential negative headline shock from upcoming BOE appearances post the dovish rate hike	
	STRUCTURAL							
7	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
8	07-Nov-17		Bullish 2M 1X2 USD-JPY Call Spread Spot ref: 114.15; Strikes: 113.78, 118.31; Exp: 04/01/18; Cost: 0.90%				Rate differential complex supportive of the USD, BOJ static	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734	1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
2	09-Oct-17	12-Oct-17	S	GBP-USD	1.3116	1.3256	Brexit concerns plus additional leadership threats to PM May's position	-1.05
3	04-Oct-17	12-Oct-17	B	USD-SGD	1.3602	1.3525	Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia	-0.56
4	22-Aug-17	20-Oct-17		Bearish 2M 1X1.5 USD-JPY Put Spread Spot ref: 109.31; Strikes: 109.00, 106.04; Exp: 20/10/17; Cost: 0.57%			Underwhelming data feed, gradualist Fed, potential negative US political baggage	-0.56**
5	29-Aug-17	27-Oct-17		Bearish 2M 1X1.5 USD-SGD Put Spread Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31%			Vulnerable USD, prevailing positivity towards carry, EM/Asia	-0.31**
6	28-Sep-17	02-Nov-17	S	AUD-USD	0.7816	0.7720	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	+1.20
							Jan-Nov*** 2017 Return	-10.55
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank



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