

**Tuesday, October 10, 2017****FX Themes/Strategy/Trading Ideas**

- With widespread risk aversion failing to materialize (from either North Korea or Turkey or EM), the greenback (NY on a long weekend) ended mixed across G10 although investor caution continued to be demonstrated via across the board underperformance by the cyclicals (AUD, NZD, CAD).
- The EUR found broad based support following hawkish ECB rhetoric from Lautenschlaeger and from better than expected German August industrial production. The GBP meanwhile managed some altitude against the USD with PM May slightly worse for wear but with her premiership still intact.
- Going ahead, Catalonia-related risks may continue to hum in the background while on other fronts, watch also for potential USD negativity if the tax vote in the Senate hits a roadblock. **Overall, while we remain in favor of the greenback in terms of our tactical views, markets may remain somewhat in a flux intra-day while attempting to grasp onto new cues.**
- For today, the Fed's Kashkari is on tap (1400 GMT) while the IMF/World Bank festivities get underway from today. Watch also for potential headlines from the RBA's Debelle (0320 GMT) and the Bank of Canada's Wilkins (1800 GMT). The global data stream meanwhile includes UK August industrial production and trade numbers (0830 GMT).
- Despite background expectations for a November BOE rate hike, Brexit-related and domestic political negatives (no less than doubts over PM May's leadership) continuing to circulate for the pound and with the greenback likely to attempt to gain further traction post-NFP, we institute a tactical short **GBP-USD** on Monday as another round of Brexit negotiations commences in Brussels. From a spot ref of 1.3116, we target 1.2835 and place a stop at 1.3260.

**Asian FX**

- Global EM equities softened slightly overnight with the **FXSI (FX Sentiment Index)** continuing to inch higher within Risk-Neutral territory but this should be allayed by a positive start to Asian stocks early Tuesday. With added weight from the renminbi complex, USD-Asia and the **ACI (Asian Currency Index)** may search lower intra-day pending further global cues and despite the net capital inflow environment still less than constructive.
- On the net Asian portfolio inflow front, the TWD saw net equity inflows into

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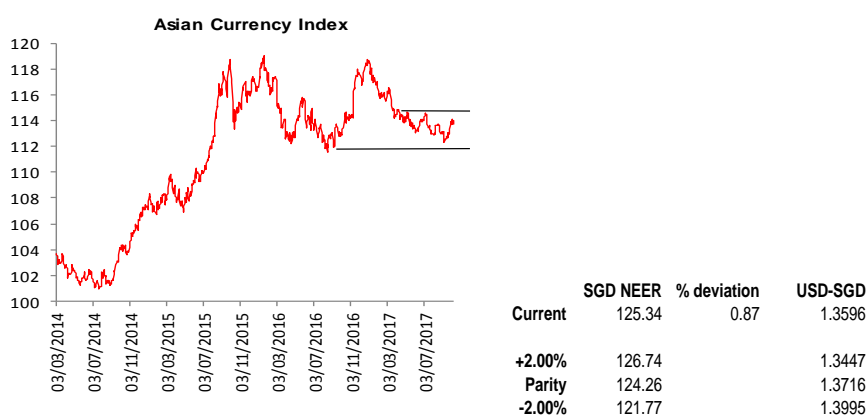
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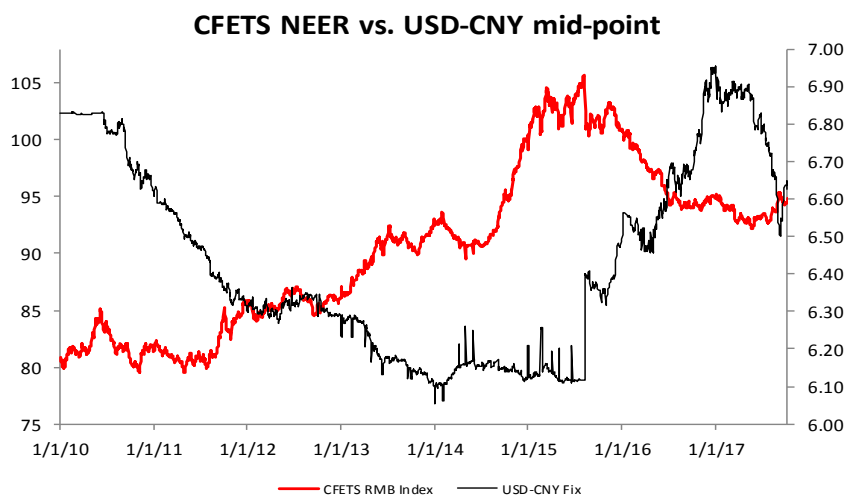
the end of last week, with net outflow momentum moderating. We are witnessing some renewed bond inflows for India although net equity outflows are persisting, leaving persistent outflow pressure on a 1-month rolling basis. Elsewhere, note slightly deepening net outflow pressures for the IDR while the THB flipped to a net outflow situation on a 1-mnth rolling basis. On other fronts, net equity outflows for the MYR continue to deepen.

- SGD NEER:** The SGD NEER is mixed to firmer on the day at +0.89% above its perceived parity (1.3716) with NEER-implied USD-SGD thresholds softer on the day. At current levels, the +1.00% NEER threshold is estimated at 1.3580 and should serve as a line in the sand for the pair despite its early Tuesday morning heaviness. Technically, the pair may continue to be cordoned off by its 55-day MA (1.3567) and its 100-day MA (1.3673) multi-session.

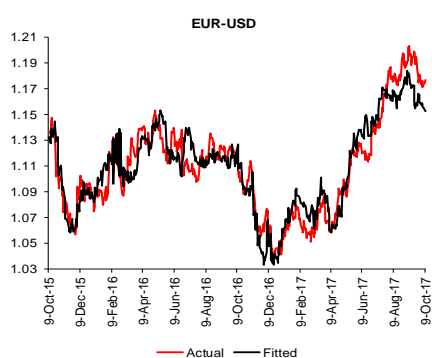


Source: OCBC Bank

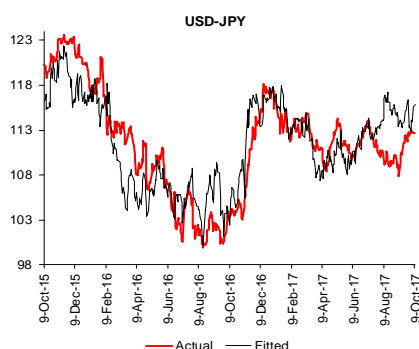
- CFETS RMB Index:** This morning, the USD-CNY mid-point came in largely as expected at 6.6273 from 6.6493 yesterday, although this continues to belie the strengthening bias of the CNY and the CNH against the USD thus far this week (ostensibly an attempt by the CNY to guide the CNH?). Elsewhere, China's September foreign reserves rose incrementally to USD3.108tn from USD3.1000tn the previous month, maintaining a picture of stability.



Source: OCBC Bank, Bloomberg

**G7**

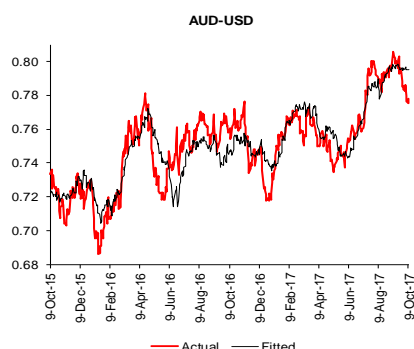
Source: OCBC Bank



- EUR-USD** Catalonia-related risks, if contained (barring any declaration of independence today), may give way instead to Fed-ECB risks in the coming sessions. In the interim, short term implied valuations continue to be chipped away, seemingly at odds with the latest price action. With the 55-day MA (1.1833) overhead, we retain a preference to fade upticks in the pair.

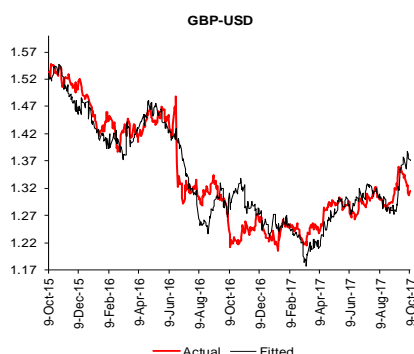
- USD-JPY** The BOJ's Kuroda this morning remained sufficiently dovish in his comments and we note that short term implied valuations for the USD-JPY remain relatively underpinned. Expect investors to pick bottoms within 112.30-113.30 in the interim.

Source: OCBC Bank



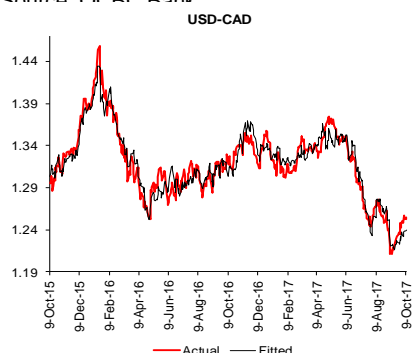
- AUD-USD** The September NAB business confidence index improved to +7 from +5 the previous month permitted some buoyancy in the AUD-USD. Pending the RBA's DeBelle later today, short term implied valuations remain relatively steady with the pair looking slightly stretched on the downside relative to fair value. Fade up moves towards 0.7800 instead barring a further meltdown in risk appetite.

Source: OCBC Bank



- GBP-USD** Brexit negotiations remain seemingly at a stalemate with short term implied valuations still attempting to sneak lower. With 1.3165 seen capping for now, if the 55-day MA (1.3135) is perforated again, a relapse back towards 1.3065 cannot be ruled out.

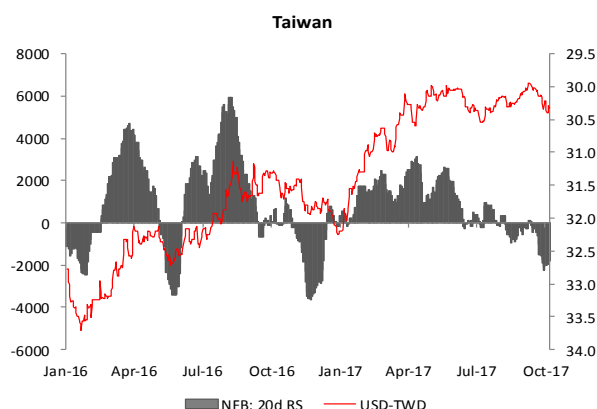
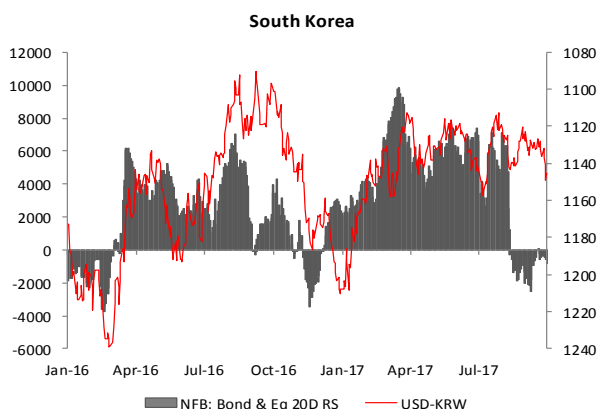
Source: OCBC Bank

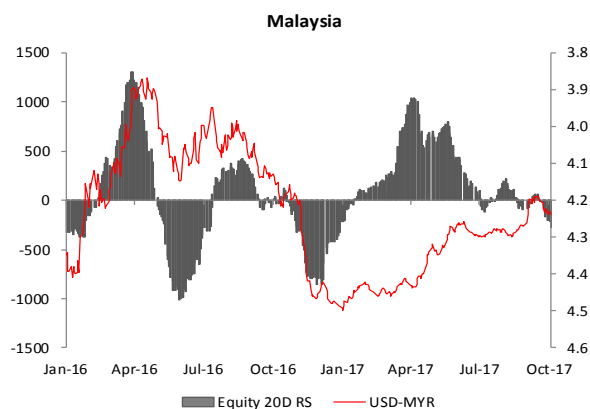
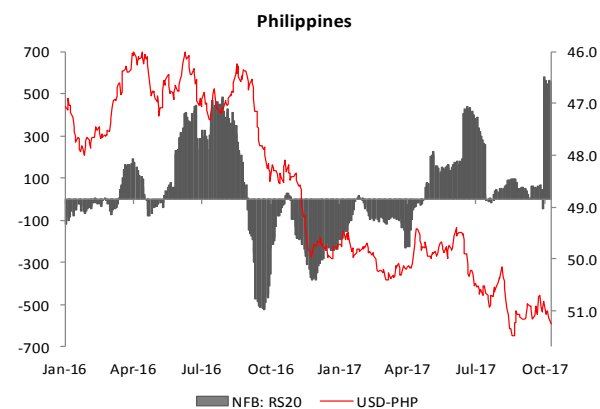
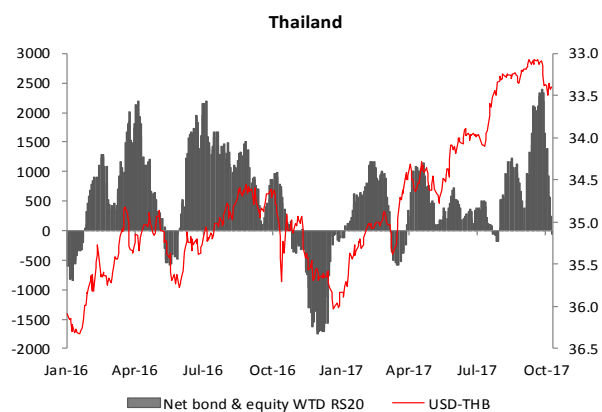
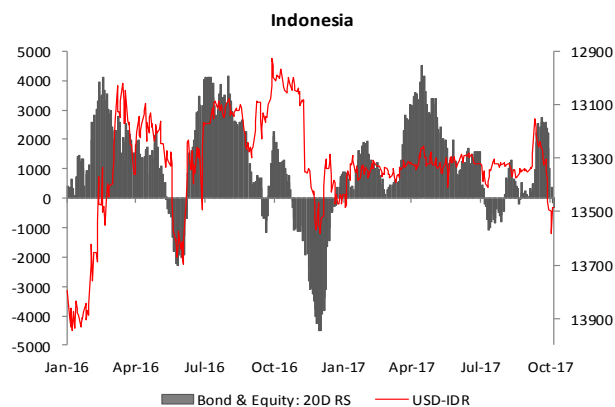
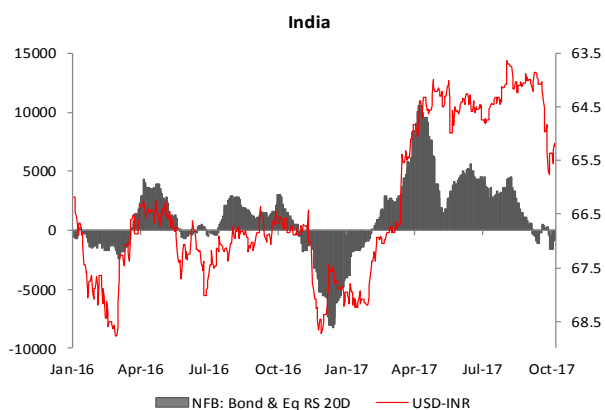


- USD-CAD** Canada returns from its Thanksgiving long weekend with short term implied valuations continuing to reach higher. Our near term view remains unchanged and we retain a preference to favor base building off the 55-day MA (1.2467) towards 1.2630.

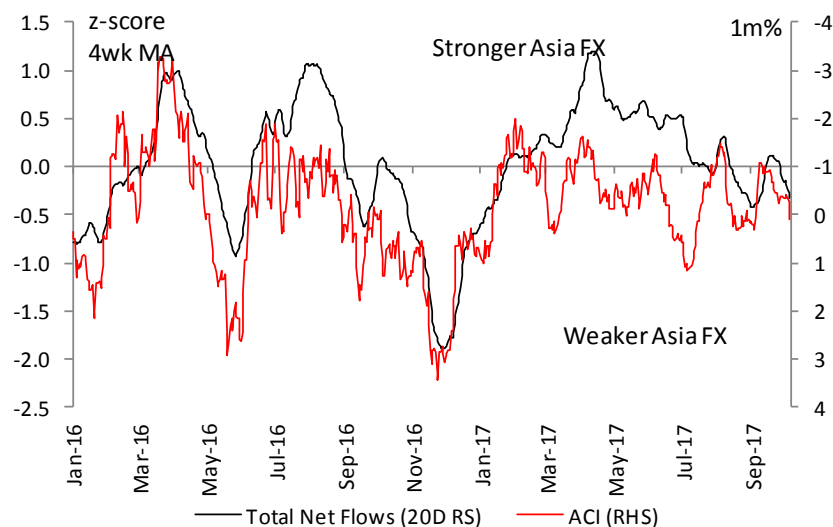
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

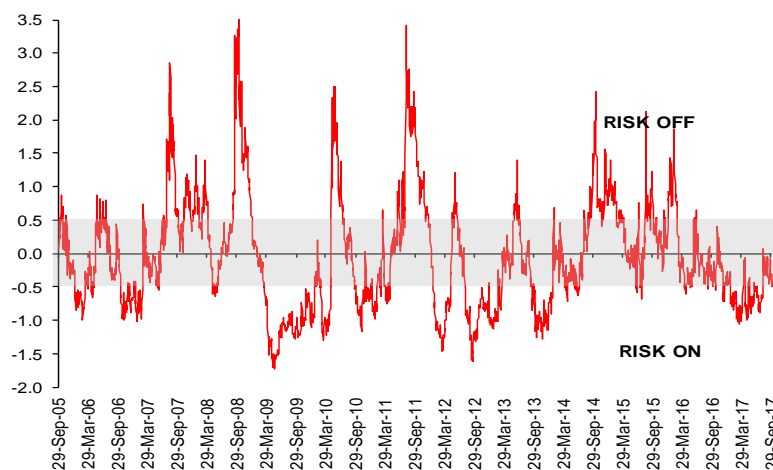




## ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

| Security | DXY    | USGG10 | CNY    | SPX    | MSELCA | CRY    | JPY    | CL1    | VIX    | ITRXEX | CNH    | EUR    |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| DXY      | 1      | 0.877  | 0.808  | 0.854  | 0.018  | -0.421 | 0.784  | 0.33   | -0.633 | 0.584  | 0.857  | -0.985 |
| SGD      | 0.981  | 0.877  | 0.793  | 0.878  | 0.051  | -0.539 | 0.754  | 0.241  | -0.593 | 0.487  | 0.858  | -0.964 |
| CAD      | 0.915  | 0.968  | 0.898  | 0.851  | 0.117  | -0.31  | 0.925  | 0.433  | -0.765 | 0.651  | 0.888  | -0.871 |
| CHF      | 0.914  | 0.928  | 0.718  | 0.865  | 0.262  | -0.357 | 0.863  | 0.281  | -0.7   | 0.647  | 0.75   | -0.853 |
| IDR      | 0.91   | 0.941  | 0.933  | 0.806  | -0.007 | -0.425 | 0.889  | 0.473  | -0.759 | 0.652  | 0.95   | -0.901 |
| THB      | 0.897  | 0.842  | 0.759  | 0.815  | -0.027 | -0.635 | 0.687  | 0.19   | -0.605 | 0.45   | 0.851  | -0.893 |
| TWD      | 0.883  | 0.922  | 0.95   | 0.773  | -0.124 | -0.357 | 0.852  | 0.535  | -0.846 | 0.623  | 0.953  | -0.861 |
| MYR      | 0.879  | 0.782  | 0.707  | 0.776  | -0.07  | -0.633 | 0.639  | 0.206  | -0.592 | 0.515  | 0.808  | -0.881 |
| USGG10   | 0.877  | 1      | 0.82   | 0.867  | 0.216  | -0.327 | 0.925  | 0.355  | -0.803 | 0.586  | 0.836  | -0.818 |
| CNH      | 0.857  | 0.836  | 0.982  | 0.727  | -0.141 | -0.304 | 0.852  | 0.569  | -0.771 | 0.651  | 1      | -0.866 |
| INR      | 0.822  | 0.801  | 0.957  | 0.558  | -0.25  | -0.157 | 0.839  | 0.687  | -0.629 | 0.778  | 0.906  | -0.838 |
| CNY      | 0.808  | 0.82   | 1      | 0.518  | -0.449 | 0.196  | 0.85   | 0.852  | -0.662 | 0.741  | 0.982  | -0.795 |
| JPY      | 0.784  | 0.925  | 0.85   | 0.698  | 0.129  | -0.1   | 1      | 0.582  | -0.829 | 0.72   | 0.852  | -0.739 |
| KRW      | 0.713  | 0.706  | 0.812  | 0.566  | -0.706 | 0.001  | 0.57   | 0.564  | -0.644 | 0.566  | 0.797  | -0.717 |
| CCN12M   | 0.685  | 0.797  | 0.894  | 0.674  | -0.048 | -0.199 | 0.832  | 0.576  | -0.805 | 0.563  | 0.909  | -0.687 |
| PHP      | 0.187  | 0.2    | -0.246 | 0.346  | 0.451  | -0.372 | 0.02   | -0.428 | 0.106  | -0.382 | -0.048 | -0.188 |
| GBP      | -0.629 | -0.364 | 0.184  | -0.631 | -0.211 | 0.75   | -0.099 | 0.42   | 0.02   | 0.038  | -0.301 | 0.592  |
| NZD      | -0.847 | -0.673 | -0.434 | -0.791 | -0.127 | 0.607  | -0.466 | 0.017  | 0.243  | -0.196 | -0.566 | 0.83   |
| AUD      | -0.934 | -0.902 | -0.839 | -0.832 | -0.034 | 0.448  | -0.789 | -0.313 | 0.607  | -0.544 | -0.81  | 0.906  |
| EUR      | -0.985 | -0.818 | -0.795 | -0.777 | 0.118  | 0.386  | -0.739 | -0.39  | 0.573  | -0.586 | -0.866 | 1      |

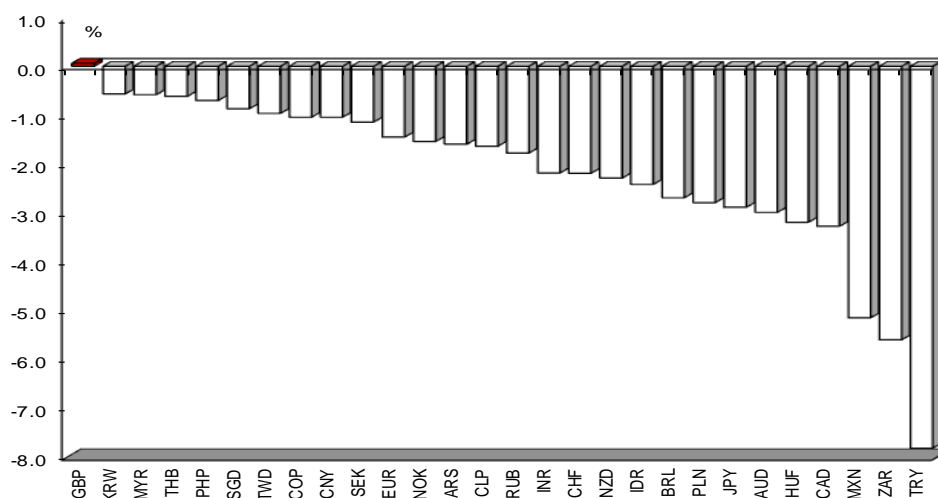
Source: Bloomberg

### Immediate technical support and resistance levels

|         | S2      | S1      | Current | R1      | R2      |
|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1.1670  | 1.1700  | 1.1779  | 1.1800  | 1.1843  |
| GBP-USD | 1.3100  | 1.3128  | 1.3169  | 1.3200  | 1.3657  |
| AUD-USD | 0.7718  | 0.7733  | 0.7789  | 0.7800  | 0.7917  |
| NZD-USD | 0.7049  | 0.7051  | 0.7087  | 0.7100  | 0.7152  |
| USD-CAD | 1.2461  | 1.2500  | 1.2518  | 1.2600  | 1.2636  |
| USD-JPY | 111.85  | 112.00  | 112.62  | 113.00  | 113.44  |
| USD-SGD | 1.3500  | 1.3557  | 1.3583  | 1.3600  | 1.3670  |
| EUR-SGD | 1.5950  | 1.5970  | 1.6000  | 1.6057  | 1.6122  |
| JPY-SGD | 1.1973  | 1.2000  | 1.2061  | 1.2100  | 1.2189  |
| GBP-SGD | 1.7800  | 1.7802  | 1.7888  | 1.7900  | 1.8349  |
| AUD-SGD | 1.0540  | 1.0566  | 1.0580  | 1.0600  | 1.0633  |
| Gold    | 1256.73 | 1260.50 | 1281.70 | 1295.89 | 1300.00 |
| Silver  | 16.34   | 17.00   | 17.07   | 17.10   | 17.16   |
| Crude   | 49.30   | 49.50   | 49.70   | 50.95   | 52.31   |

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

|     | 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



|   | 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                   | S         | EUR-USD  | 1.1734   | 1.1490 | 1.1860             | Political overhang from Germany contrasting with FOMC, Yellen                                   |  |       |
| 3   | 28-Sep-17                   | S         | AUD-USD  | 0.7816   | 0.7625 | 0.7915             | Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields       |  |       |
| 4   | 28-Sep-17                   | B         | USD-CAD  | 1.2500   | 1.2795 | 1.2350             | Reality check from the BOC's Poloz even as the USD garners renewed interest                     |  |       |
| 5   | 04-Oct-17                   | B         | USD-SGD  | 1.3602   | 1.3750 | 1.3525             | Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia |  |       |
| 6   | 09-Oct-17                   | S         | GBP-USD  | 1.3116   | 1.2835 | 1.3260             | Brexit concerns plus additional leadership threats to PM May's position                         |  |       |
|   | STRUCTURAL                  |           |  |  |        |                    |   |  |       |
| 7   | 09-May-17                   | B         | GBP-USD  | 1.2927   | 1.3700 | 1.2535             | USD skepticism, UK snap elections, positioning overhang, hawkish                                |  |       |
| 8   | 22-Aug-17                   |           | Bearish 2M 1X1.5 USD-JPY Put Spread<br>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                |  |       |
| 9   | 29-Aug-17                   |           | Bearish 2M 1X1.5 USD-SGD Put Spread<br>Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31% |  |        |                    | Vulnerable USD, prevailing positivity towards carry, EM/Asia                                    |  |       |
|   | RECENTLY CLOSED TRADE IDEAS |           |  |  |        |                    |   |  |       |
|   | Inception                   | Close     | B/S  | Currency   | Spot   | Close              | Rationale   | P/L (%)  |       |
| 1   | 07-Sep-17                   | 12-Sep-17 | S  | USD-JPY  | 109.01 | 110.15             | Suppressed UST yields, dovish Fed rhetoric, geopolitical risks                                  | -1.06  |       |
| 2   | 13-Sep-17                   | 13-Sep-17 | B  | GBP-USD  | 1.3325 | 1.3200             | Hotter than expected Aug core CPI/PPI, hawkish expectations ahead of BOE MPC                    | -0.95  |       |
| 3   | 12-Sep-17                   | 14-Sep-17 | S  | USD-SGD  | 1.3447 | 1.3525             | Fade the USD relief rally, prepare for renewed interest towards EM/Asia                         | -0.58  |       |
| 4   | 11-Sep-17                   | 18-Sep-17 | S  | USD-CAD  | 1.2128 | 1.2270             | Support from earlier than expected BOC rate hike, inherent USD vulnerability                    | -1.16  |       |
| 5   | 20-Jul-17                   | 21-Sep-17 |  | Bullish 2M 1X1.5 AUD-USD Call Spread<br>Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65% Closed at 0.7964 |        |                    |   | More positive than expected RBA minutes, supportive data, weak USD | +0.04 |
| 6   | 19-Sep-17                   | 27-Sep-17 | B  | GBP-USD  | 1.3540 | 1.3395             | Earlier than expected paradigm change by the BOE  | -1.11  |       |
|   |                             |           |  |  |        |                    | Jan-Sep*** 2017 Return  | -3.31  |       |
|   |                             |           |  |  |        |                    | 2016 Return   | +6.91  |       |
| * realized **of notional ***month-to-date |                             |           |  |  |        |                    |   |  |       |

Source: OCBC Bank

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