

**Tuesday, April 11, 2017**

## FX Themes/Strategy/Trading Ideas

- The greenback softened across the board with the Fed's Yellen (...allow "the economy to coast and remain on an even keel") not unduly hawkish on Monday while UST (and bund) yields were a touch softer amidst background geopolitical jitters (France, Syria, North Korea) despite positive EZ/US equities. On the back of this, yet firmer crude also suppressed the USD-CAD further on Monday.
- Today, Fed-speak includes Kashkari (1745 GMT) while the ECB's Visco is scheduled for 1500 GMT. The data calendars include March UK CPI, German April ZEW and EZ February industrial production. On the Fed, expect investors to pay increasing attention to the perennial doves and centrists within the Fed to impart additional impetus on the USD, now that the official intention to deliver another two rate hikes has been internalized.
- In the near term, with FOMC-focused USD dynamics fading slightly at this juncture, investors may instead continue to monitor geopolitical developments for near term directionality. On this front, note late NY chatter regarding Chinese troop movements towards the North Korean border. This slight nervousness may continue to bleed into the Asian session with the JPY crosses slightly heavy in early trade.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** ticked higher for the third consecutive session within Risk-On territory on Monday, indicating sustained background investor caution.
- With policy dichotomy coming into the spotlight again in recent weeks, we see risk for the **EUR-USD** to potentially head lower in the near term, especially with the common currency likely to be beset with political risk premiums on approach of the French Presidential elections. From a spot ref at 1.0585 on Monday, we target 1.0390 and place a stop at 1.0685.
- Elsewhere, with the broad dollar gaining traction on the back of Fed dynamics and/or potential risk aversion, we exited our 17 Mar 17 idea to be tactically short **USD-SGD** (spot ref: 1.4029) at 1.4067 on Monday for an implied -0.27% loss.

## Asian FX

- With EM currencies mixed on the back of the dollar and potential risk aversion, expect caution to prevail with respect to the Asian units while awaiting headline risks. Reported net bond and equity inflows into Asia

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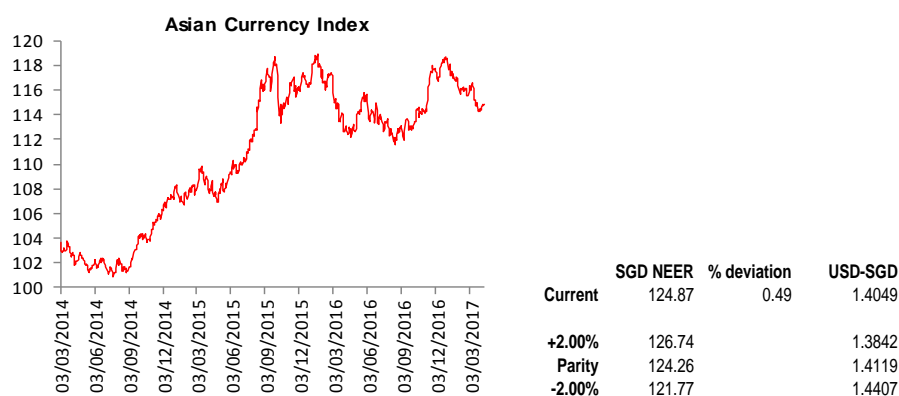
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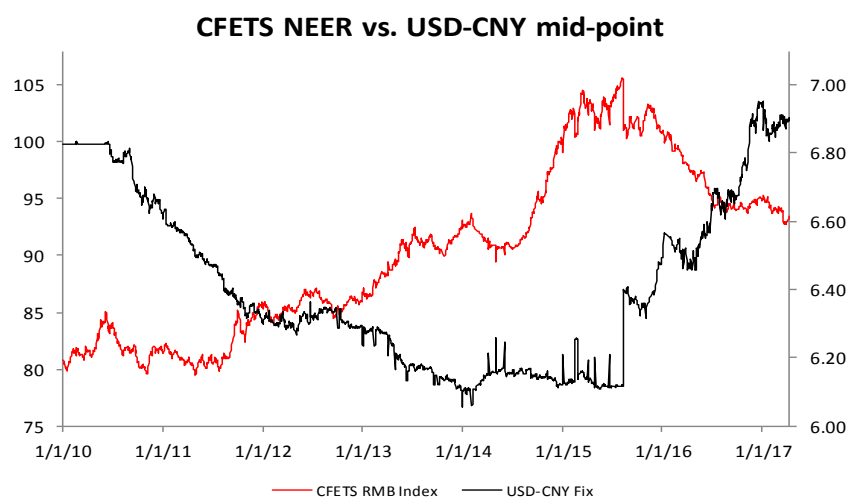
meanwhile remain encouraging and supportive of potential Asian FX resilience. However, given the uncertain risk appetite environment, any intra-day heaviness in USD-Asia may not extend too significantly, putting a floor on the **ACI (Asian Currency Index)**.

- SGD NEER:** Today, the SGD NEER is slightly firmer on the day at around +0.50% above its perceived parity (1.4119) with NEER-implied USD-SGD thresholds a tad softer on the day following overnight USD moves. We continue to expect the NEER to anchor itself in the vicinity of +0.50% (1.4049) pending external headline risks. The 55-day MA (1.4094) is expected to remain a near term cap while support is expected into +0.80% (1.4007).

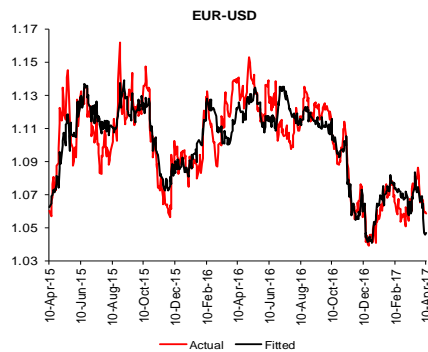


Source: OCBC Bank

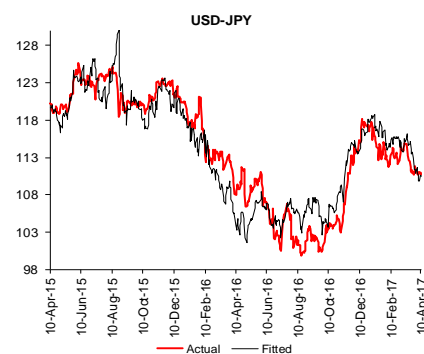
- CFETS RMB Index:** This morning, the USD-CNY mid-point fell (largely as expected) to 6.8957 from 6.9042 on Monday. This lifted the **CFETS RMB Index** to 93.50 from 93.39 yesterday.



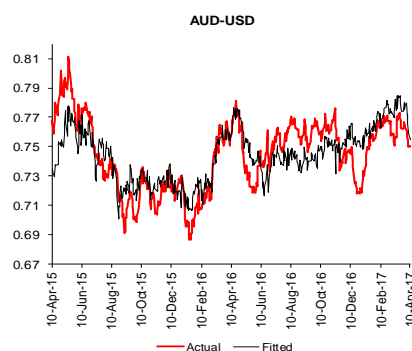
Source: OCBC Bank, Bloomberg

**G7**

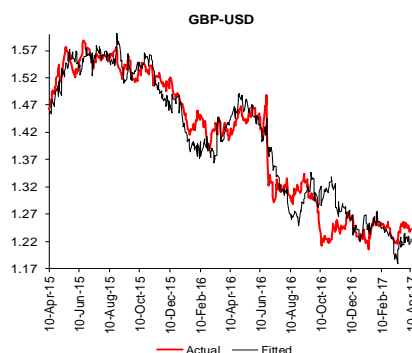
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Source: OCBC Bank



Source: OCBC Bank



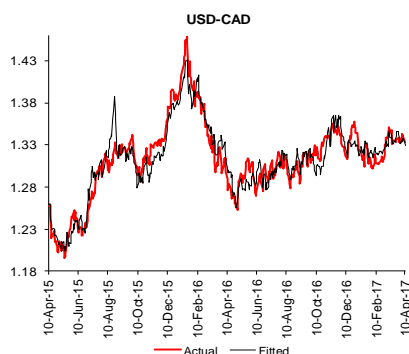
Source: OCBC Bank

- **EUR-USD** Short term implied valuations continue to portend scope for potential downside in the EUR-USD, especially if the floor at 1.0585 is punctured. Subsequent downside way points thereafter include 1.0550 and 1.0500 and we remain top heavy on the EUR-USD in the interim. Meanwhile, EUR-JPY, having breached its 200-day MA (117.82) may be susceptible to further downside risks towards 116.50 on account of heavy cross plays.

- **USD-JPY** The BOJ's Kuroda sounded fairly sanguine in his economic prognosis but nonetheless sufficiently accommodative in his latest remarks in Asia on Tuesday. Overall, the pair may remain slightly conflicted between slightly more supportive short term implied valuations and the potential of risk aversion flashpoints. Preference to fade upticks towards 111.40 with the 110.00 floor still in sight.

- **AUD-USD** The March NAB business conditions index improved significantly from the previous month. Meanwhile, AUD-USD has managed to resurface back above 0.7500 this morning, although investor appetite we think remains fragile. Apart from geopolitical headlines, continue to look towards the raft of China data points this week. We stay negative on the AUD-USD in line with short term implied valuations and 0.7450 may attract on a sustained breach of 0.7500.

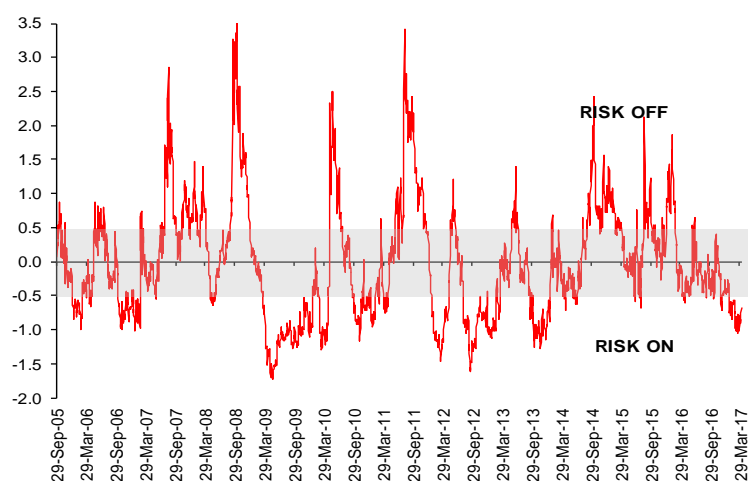
- **GBP-USD** GBP-USD to floated above 1.2400 on the back of a vulnerable broad USD but expect some domestic focus on the UK CPI numbers (and its attendant implications on the BOE's posture) today. Short term implied valuations are relatively static at this juncture although at a stretch, cable may be deemed slightly rich on the upside. Likely range bound near term with the 55-day MA (1.2430) an immediate cap ahead of 1.2450 while 1.2360 may support. Elsewhere, inherent risk surround the EUR may keep the EUR-GBP implicitly heavy towards 0.8485.



Source: OCBC Bank

- USD-CAD** USD-CAD has continued to be responsive to a firmer crude complex in the current environment. Ahead of the BOC lower, markets may attempt to steer the pair lower in line with slightly softening short term implied valuations for the pair. Near term junctions include the 100-day MA (1.3288) and the 55-day MA (1.3257).

### 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	0.393	0.869	0.516	-0.243	0.236	0.546	0.457	-0.032	-0.448	0.702	-0.899
CHF	0.957	0.160	0.745	0.380	-0.016	0.465	0.257	0.679	0.105	-0.394	0.771	-0.976
CNY	0.869	0.622	1.000	0.722	-0.391	0.018	0.747	0.172	-0.256	-0.517	0.500	-0.635
SGD	0.806	0.669	0.726	0.297	-0.518	-0.156	0.661	0.108	0.058	-0.418	0.662	-0.614
MYR	0.789	0.596	0.869	0.537	-0.534	-0.097	0.691	0.104	-0.026	-0.527	0.359	-0.561
KRW	0.783	0.606	0.842	0.451	-0.523	-0.036	0.667	0.152	0.093	-0.545	0.477	-0.566
TWD	0.746	0.752	0.859	0.529	-0.631	-0.252	0.805	-0.046	-0.086	-0.470	0.376	-0.472
CNH	0.702	0.183	0.500	0.110	0.167	0.385	0.141	0.541	0.179	-0.268	1.000	-0.770
CCN12M	0.603	0.834	0.808	0.498	-0.605	-0.424	0.892	-0.331	-0.225	-0.341	0.359	-0.253
JPY	0.546	0.962	0.747	0.682	-0.754	-0.543	1.000	-0.442	-0.502	-0.419	0.141	-0.117
THB	0.543	0.906	0.797	0.559	-0.764	-0.508	0.905	-0.345	-0.264	-0.463	0.162	-0.150
CAD	0.455	0.198	0.263	-0.169	-0.190	-0.169	0.260	-0.072	0.063	-0.015	0.396	-0.302
IDR	0.407	0.742	0.551	0.557	-0.726	-0.578	0.774	-0.398	-0.496	-0.460	-0.073	-0.088
USGG10	0.393	1.000	0.622	0.589	-0.775	-0.626	0.962	-0.527	-0.486	-0.402	0.183	-0.024
PHP	-0.106	0.422	0.012	0.048	-0.601	-0.718	0.397	-0.649	-0.317	0.138	-0.393	0.282
INR	-0.173	0.735	0.189	0.261	-0.710	-0.884	0.670	-0.853	-0.346	0.080	-0.385	0.489
AUD	-0.512	0.234	-0.118	0.314	-0.121	-0.447	0.250	-0.707	-0.563	0.081	-0.660	0.720
GBP	-0.754	-0.811	-0.868	-0.629	0.613	0.319	-0.862	0.130	0.355	0.427	-0.395	0.386
NZD	-0.809	-0.283	-0.504	-0.167	0.144	-0.235	-0.290	-0.505	-0.121	0.411	-0.757	0.805
EUR	-0.899	-0.024	-0.635	-0.285	-0.060	-0.539	-0.117	-0.763	-0.203	0.321	-0.770	1.000

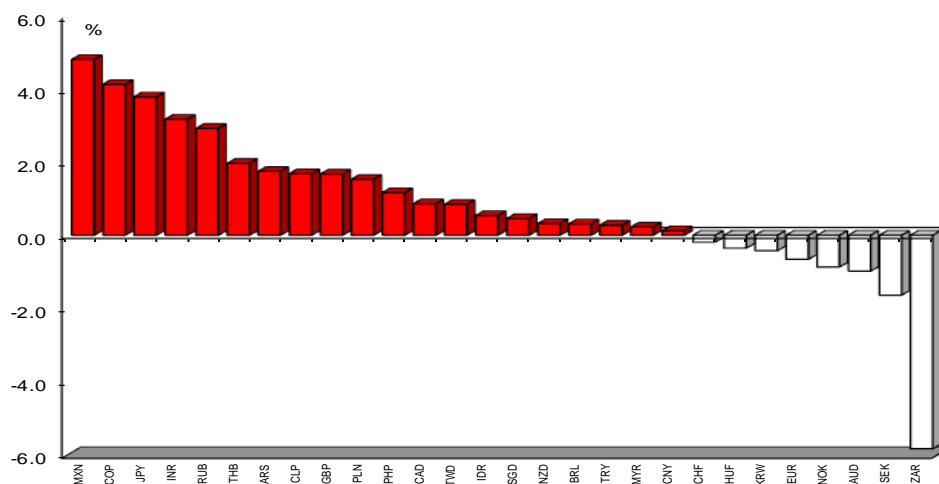
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
<b>EUR-USD</b>	1.0500	1.0555	1.0583	1.0600	1.0659
<b>GBP-USD</b>	1.2400	1.2411	1.2421	1.2500	1.2574
<b>AUD-USD</b>	0.7476	0.7477	0.7496	0.7500	0.7549
<b>NZD-USD</b>	0.6900	0.6924	0.6942	0.7000	0.7077
<b>USD-CAD</b>	1.3286	1.3300	1.3330	1.3400	1.3423
<b>USD-JPY</b>	110.00	110.11	110.69	111.00	112.62
<b>USD-SGD</b>	1.4059	1.4075	1.4077	1.4100	1.4219
<b>EUR-SGD</b>	1.4800	1.4826	1.4898	1.4900	1.5001
<b>JPY-SGD</b>	1.2497	1.2700	1.2717	1.2739	1.2752
<b>GBP-SGD</b>	1.7400	1.7471	1.7485	1.7500	1.7579
<b>AUD-SGD</b>	1.0500	1.0514	1.0552	1.0600	1.0735
<b>Gold</b>	1211.12	1234.12	1251.10	1262.18	1269.10
<b>Silver</b>	17.80	17.90	17.93	18.00	18.17
<b>Crude</b>	52.18	53.00	53.08	53.10	53.29

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		Green	Grey	Red	Green	Red	Red	Green	Green	Green	Green
JPY	Red		Red	Red	Red	Grey	Red	Red	Red	Red	Red
CNY	Grey	Green		Red	Green	Red	Red	Green	Green	Green	Green
SGD	Green	Green	Green		Green	Red	Red	Green	Green	Green	Green
MYR	Red	Green	Red	Red		Red	Red	Green	Green	Green	Grey
KRW	Green	Grey	Green	Green	Green		Green	Green	Green	Green	Green
TWD	Green	Green	Green	Green	Green	Red		Green	Green	Green	Green
THB	Red	Green	Red	Red	Red	Red	Red		Green	Green	Grey
PHP	Red	Green	Red	Red	Red	Red	Red	Red		Grey	Red
INR	Red	Green	Red	Red	Red	Red	Red	Red	Grey		Red
IDR	Red	Green	Red	Red	Grey	Red	Red	Grey	Green	Green	

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	22-Mar-17		S	USD-JPY	111.62	108.40	113.25	Trump trade unwind, mild risk aversion		
3	05-Apr-17		S	AUD-USD	0.7580	0.7405	0.7670	Fragile risk appetite, slightly apprehensive RBA		
4	10-Apr-17		S	EUR-USD	1.0585	1.0390	1.0685	Policy dichotomy, Frencn election risks		
	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 Spot ref: 1.3055; Strikes: 1.3049, 1.2500 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 Spot ref: 0.7688; Strikes: 0.7677, 0.8041 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	10-Mar-17	15-Mar-17	S	AUD-USD	0.7519		0.7605	Compression in cyclical vs. USD strength		
2	25-Oct-16	20-Mar-17	B	USD-SGD	1.3919		1.3984	Bullish dollar prospects, negative space for SGD NEER	+0.54	
3	03-Mar-17	20-Mar-17	S	GBP-USD	1.2253		1.2435	Sustained Brexit risks vs. recent USD resilience	-1.46	
4	28-Nov-16	27-Mar-17	S	EUR-USD	1.0641		1.0843	USD in ascendance, poiltical risk premium in EZ	-1.04	
5	27-Mar-17	29-Mar-17	B	GBP-USD	1.2570		1.2390	Spillover from buoyant EUR-USD, GBP shorts wrong footed	-1.46	
6	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	
7	17-Mar-17	10-Apr-17	S	USD-SGD	1.4029		1.4067	Vulnerable USD, positive risk appetite, tolerant MAS	-0.27	
	* realized									
									Jan-Mar 2017 Return	-11.88
									2016 Return	+6.91

Source: OCBC Bank

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