

Wednesday, January 11, 2017

## FX Themes/Strategy/Trading Ideas

- After recouping some intra-day losses, the broad dollar ended slightly mixed on Tuesday despite firmer UST yields and amid position adjustments ahead of Trump's press conference on Wednesday (1600 GMT).
- Intra-day signals are likely to remain mixed for today. Early Asia on Wednesday, note the underperformance of the cyclicals across G10 space but USD-JPY is attempting to float higher ahead of the US President-elect's press conference. Nervous and skittish may characterize price action today. Apart from the Trump factor, note also that the Fed's Dudley is also scheduled to appear at 1820 GMT.
- On the risk appetite front, positive EZ/US equities on Tuesday aided the **FXSI (FX Sentiment Index)** slightly lower with the Index still within Risk-Neutral territory.

## Asian FX

- EM FX was mixed to soft overnight with the MXN and TRY vying for first place to the bottom of the league table. Despite a generally positive start to Asian equities on Wednesday the tone in Asia may remain somewhat cautious ahead of the headline risks during the NY session, with the **ACI (Asian Currency Index)** likely to remain flat to bid in the interim.
- Meanwhile, the net portfolio flow situation In Asia has improved in recent weeks including in the opening week of this year). If the broad dollar continues to consolidate lower, selected regional currencies are likely to be more well equipped to benefit.
- To this end, the KRW (hampered however by its correlation to the JPY) and INR may have scope to improve further against the dollar while the IDR and TWD have already reacted nicely to the improved capital flow environment. (Please see **FX Viewpoint: Asia – Net portfolio capital inflow update, 10 Jan 17**).
- **SGD NEER:** The SGD NEER is softer from a day ago at around -0.33% below its perceived parity (1.4321) with NEER-implied thresholds also a touch softer. Anywhere north of parity generally remains a no-fly zone and risk towards -0.50% (1.4393) remains visible. The pair itself may remain mixed (if not heavy) into Trump later during the NY session with 1.4305-1.4415 seen holding in the near term.

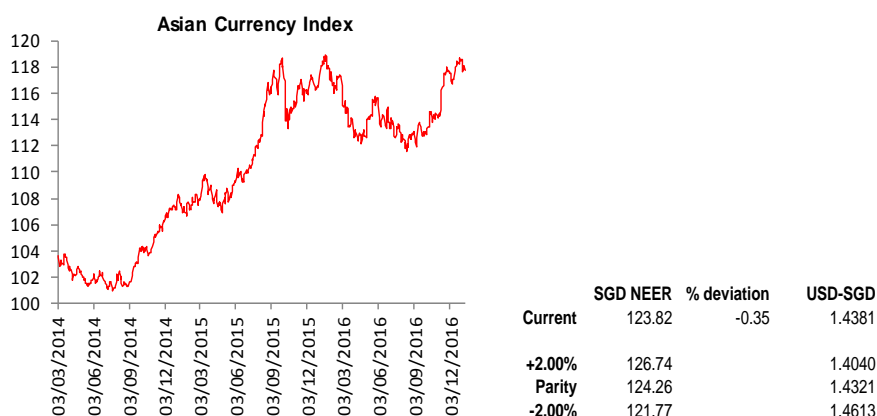
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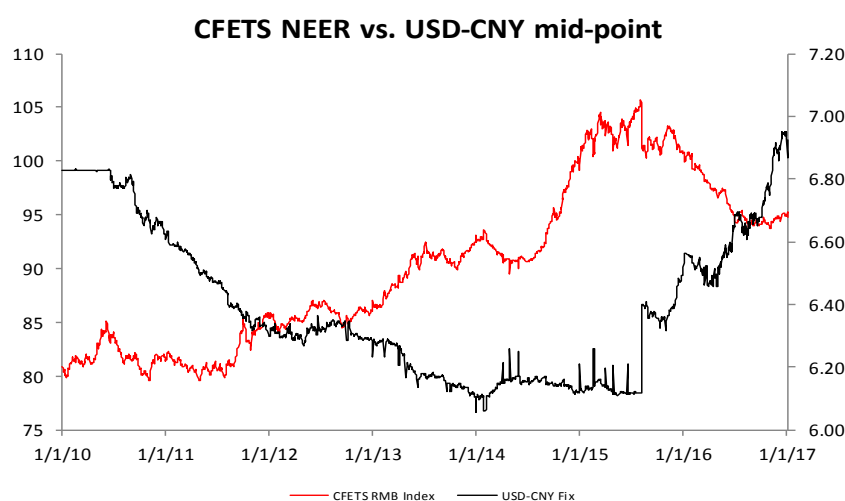
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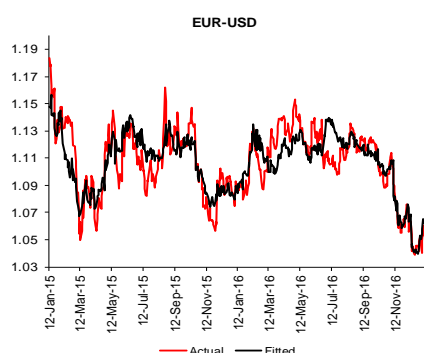
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point ticked higher to 6.9235 today, essentially unchanged from 6.9234 yesterday but marginally lower than expected. This resulted in the **CFETS RMB Index** gaining further (as largely expected) to 94.86 from 94.79 yesterday. We note a resumption of some predictability in the USD-CNY mid-points in the last two sessions as the basis between the CNH and CNY spot has come in considerably while the funding squeeze has alleviated. In the near term, USD bulls may remain slightly shell shocked after the heavy handed official presence in the latest episode.



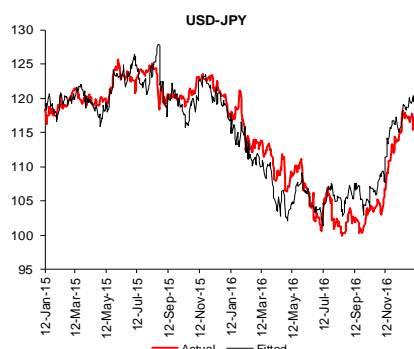
Source: OCBC Bank, Bloomberg

## G7



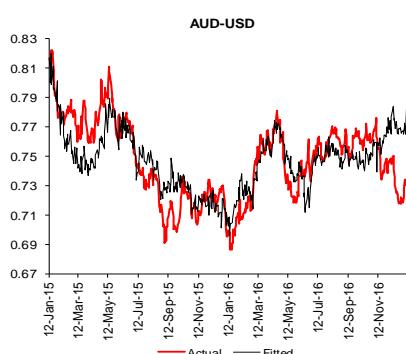
- EUR-USD** Short-term implied valuations are still static to a touch lower (despite better than expected French industrial production numbers) although the EUR-USD is not seen misaligned on this front. Preference to collect on dips within 1.0490-1.0620 pending Trump-related headlines with the key EZ data calendar vacant today.

Source: OCBC Bank



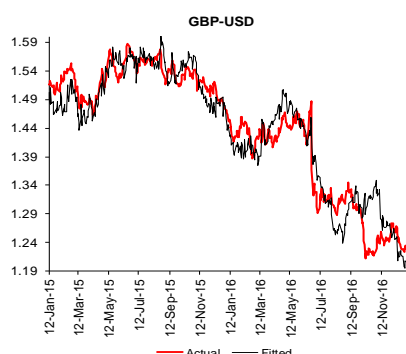
- USD-JPY** Expect inherent risk for renewed volatility in the current session on the back of the US President-elect's press conference. Short term implied valuation has drifted a touch higher (but generally remains stable) but investors may remain on the sidelines pending further headline risks. Our sense is for a fade-rallies stance at this juncture, centered around 116.00.

Source: OCBC Bank



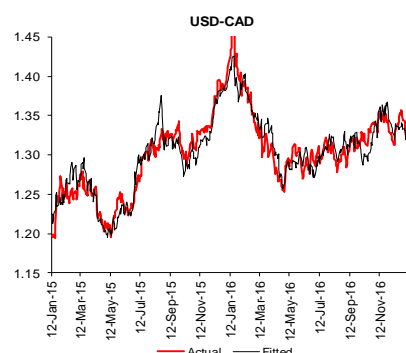
- AUD-USD** A supportive commodity complex (and structurally, the reflation narrative) may continue to prop up the AUD-USD. Short term implied valuations are also lifting higher and the pair may continue to play catch up pending significant broad dollar risks from tonight. If 0.7400 is breached, expect an attempt towards the 55-day MA (0.7423).

Source: OCBC Bank



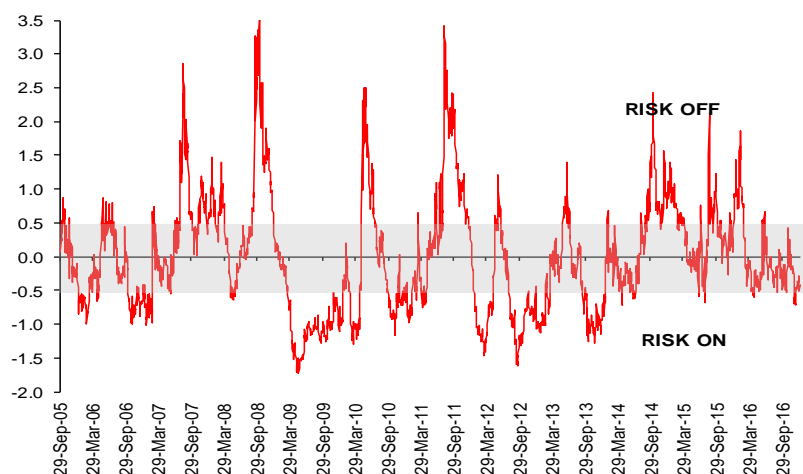
- GBP-USD** GBP-USD managed to find a (temporary?) floor above 1.2100 on Tuesday. Meanwhile, our core view remains unchanged and we would shy away from upside probes ahead of BOE's Carney's appearance before the Parliament's Treasury Select Committee today. Meanwhile, short term implied valuations are heavier on the day.

Source: OCBC Bank



- USD-CAD** Better than expected Canadian housing starts in Dec 16 kept the USD-CAD suppressed with the CAD still on a tear from softer crude prices. The pair remains comfortably within its short term implied confidence intervals and the 100 -day MA (1.3272) may be expected to cap. On the downside, the 1.3200 support may bear watching.

Source: OCBC Bank

**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	0.527	0.874	-0.106	-0.656	-0.548	0.883	0.014	-0.177	-0.579	0.499	-0.975
CHF	0.939	0.743	0.855	-0.191	-0.757	-0.574	0.896	-0.055	-0.034	-0.350	0.653	-0.963
SGD	0.920	0.436	0.888	-0.338	-0.648	-0.487	0.828	0.150	0.017	-0.563	0.635	-0.889
JPY	0.883	0.641	0.756	-0.134	-0.578	-0.555	1.000	-0.038	-0.048	-0.434	0.492	-0.909
CNY	0.874	0.492	1.000	-0.300	-0.610	-0.513	0.756	0.011	0.057	-0.344	0.717	-0.847
THB	0.832	0.425	0.675	-0.186	-0.792	-0.261	0.597	0.499	-0.187	-0.590	0.444	-0.763
CAD	0.812	0.454	0.741	-0.410	-0.781	-0.278	0.668	0.374	0.110	-0.540	0.646	-0.764
IDR	0.723	0.208	0.667	-0.375	-0.630	-0.191	0.566	0.486	0.107	-0.622	0.438	-0.641
KRW	0.609	-0.208	0.583	-0.001	-0.192	-0.191	0.367	0.402	-0.265	-0.743	0.192	-0.456
PHP	0.567	0.843	0.598	-0.309	-0.823	-0.479	0.590	-0.176	0.056	0.116	0.686	-0.669
MYR	0.542	-0.268	0.452	-0.156	-0.084	-0.070	0.298	0.357	-0.121	-0.724	-0.022	-0.409
TWD	0.539	-0.094	0.592	-0.318	-0.338	0.041	0.326	0.573	0.200	-0.630	0.330	-0.405
USGG10	0.527	1.000	0.492	-0.212	-0.792	-0.364	0.641	-0.239	0.094	0.137	0.598	-0.610
CNH	0.499	0.598	0.717	-0.624	-0.699	-0.370	0.492	-0.045	0.456	0.092	1.000	-0.549
CCN12M	0.447	0.258	0.583	-0.723	-0.519	0.000	0.383	0.323	0.686	-0.192	0.644	-0.444
INR	0.372	-0.470	0.393	0.005	0.183	-0.141	0.104	0.242	-0.156	-0.495	0.034	-0.262
GBP	-0.557	0.284	-0.507	-0.054	-0.002	0.337	-0.251	-0.034	0.277	0.702	-0.049	0.353
AUD	-0.828	-0.208	-0.729	0.259	0.601	0.278	-0.670	-0.433	0.080	0.737	-0.452	0.752
NZD	-0.857	-0.185	-0.719	0.053	0.498	0.419	-0.672	-0.237	0.321	0.795	-0.323	0.759
EUR	-0.975	-0.610	-0.847	0.149	0.672	0.591	-0.909	0.025	0.106	0.474	-0.549	1.000

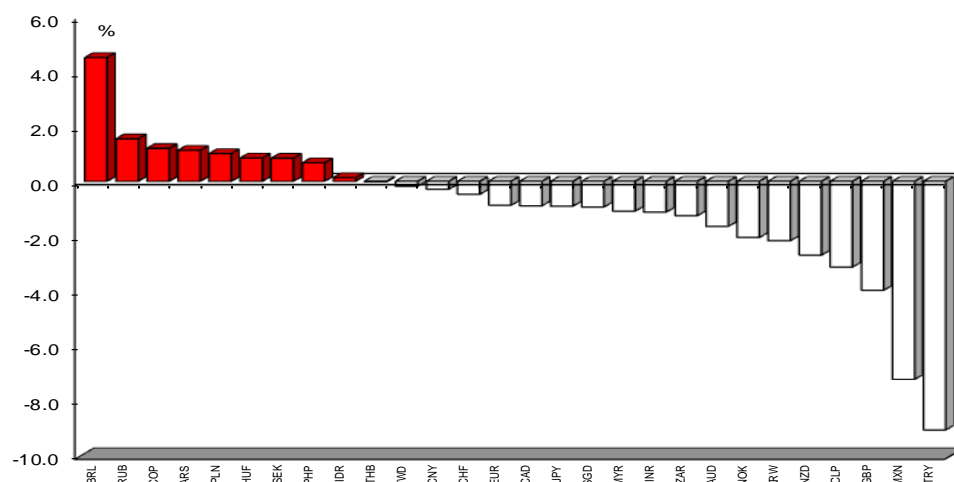
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.0348	1.0500	1.0541	1.0591	1.0600
GBP-USD	1.2108	1.2121	1.2169	1.2200	1.2424
AUD-USD	0.7160	0.7300	0.7371	0.7393	0.7397
NZD-USD	0.6862	0.6900	0.6992	0.7000	0.7037
USD-CAD	1.3157	1.3200	1.3248	1.3300	1.3377
USD-JPY	115.55	116.00	116.08	117.00	118.50
USD-SGD	1.4300	1.4310	1.4367	1.4400	1.4547
EUR-SGD	1.5001	1.5100	1.5143	1.5150	1.5190
JPY-SGD	1.2210	1.2300	1.2376	1.2400	1.2444
GBP-SGD	1.7400	1.7466	1.7483	1.7500	1.7733
AUD-SGD	1.0500	1.0554	1.0589	1.0600	1.0606
Gold	1114.89	1125.40	1186.80	1193.82	1194.25
Silver	15.75	16.80	16.84	16.90	16.92
Crude	50.42	50.90	50.98	51.00	51.02

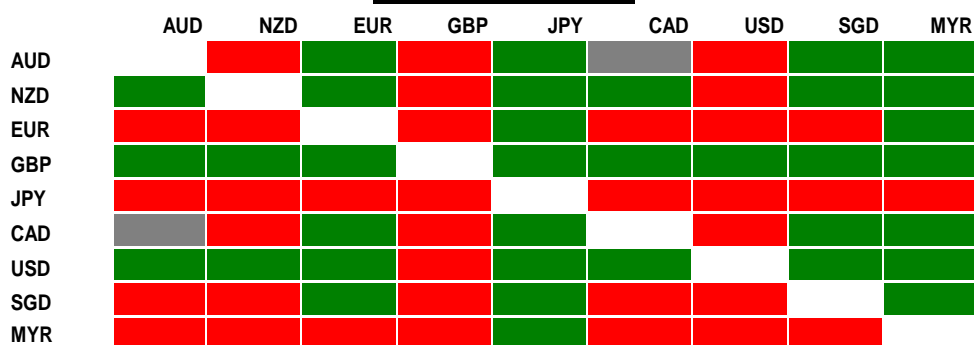
Source: OCBC Bank

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



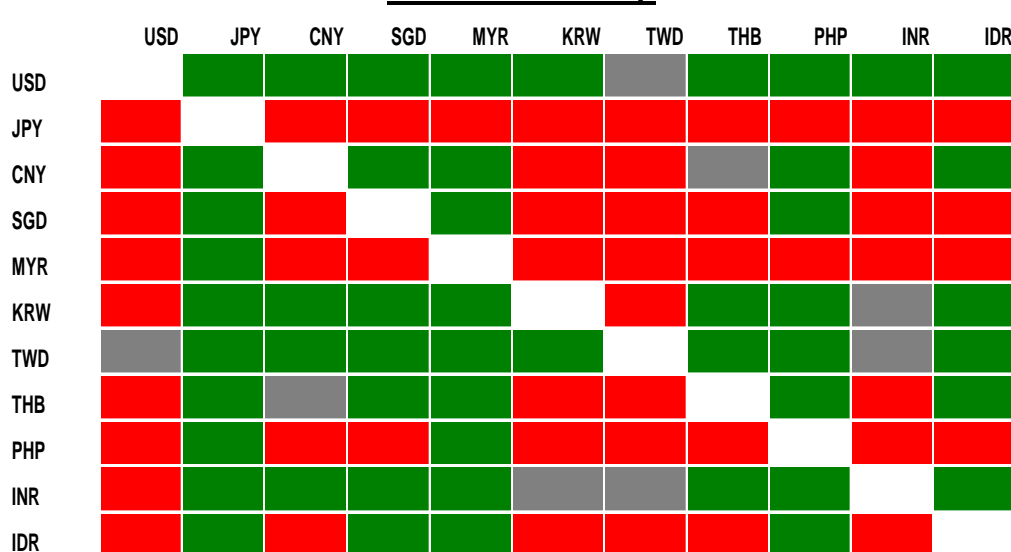
Source: Bloomberg

### G10 FX Heat Map



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	27-Dec-16	S	GBP-USD	1.2276	1.1805	1.2515	A50 risks, UK current account deficits, broad USD strength	
2	09-Jan-17	S	USD-CAD	1.3264	1.3000	1.3400	Supportive crude and labor market numbers	
	STRUCTURAL							
3	25-Oct-16	B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
4	22-Nov-16	B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
5	28-Nov-16	S	EUR-USD	1.0641	0.9855	1.1035	USD in ascendance, poiltical risk premium in EZ	
6	20-Dec-16		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	
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	14-Nov-16	13-Dec-16	B	USD-SGD	1.4172	1.4236	USD strength and EM jitters post-US elections	+0.45
2	01-Dec-16	29-Dec-16	B	USD-JPY	114.54	116.40	New lease of life for USD from higher UST yields	+1.78
3	19-Dec-16	30-Dec-16	S	EUR-USD	1.0464	1.0620	Ensuing hawkish Fed rhetoric post-FOMC	-1.41
4	27-Dec-16	02-Jan-17	B	USD-CAD	1.3530	1.3390	Policy dichotomy, Trump Trade, slight de-linking with crude	-1.09
5	20-Dec-16	05-Jan-17	B	USD-SGD	1.4481	1.4399	Hostile USD/risk appetite environment for Asian FX, SGD	-0.57
6	19-Dec-16	10-Jan-17	S	AUD-USD	0.7294	0.7359	FOMC outcome forcing a near term reassessment of carry	-0.93
	2016 Return							+6.91

Source: OCBC Bank

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