

Tuesday, July 11, 2017

FX Themes/Strategy/Trading Ideas

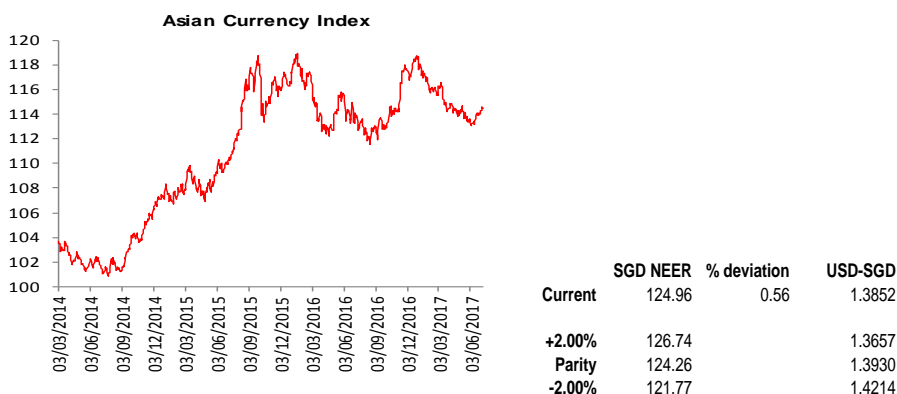
- Despite slightly softer UST yields, the USD was fairly muted against the majors on Monday although the USD-JPY managed to steady above 114.00 after the BOJ's Kuroda reiterated the official intent to maintain yield curve control. Elsewhere, the AUD managed to outperform across the board on Monday (likely on the back of positive global equities) while the NOK outperformed on the back of warmer than expected CPI, prompting hawkish expectations surrounding the Norges Bank.
- With little in the way of first tier data releases today, central bank rhetoric may continue to sway the market. Central bank appearances today include Williams (0305 GMT), Kashkari, and **Brainard (1630 GMT)**, with the latter expected to speak at a central bank balance sheet normalization conference. Meanwhile, the ECB's Coeure is scheduled at 1200 GMT.
- Overall, ahead of Yellen and the BOC on Wednesday, investors may stick to the sidelines with the USD-JPY and EUR-USD still expected to remain visibly supported on dips in the interim.

Asian FX

- Currencies within EM (Latam gained, ZAR slipped) diverged with respect to the dollar on Monday while the Asian pairs may attempt to inch lower slightly on the back of sanguine risk appetite levels. However, note that the net portfolio inflow environment in Asia may continue to impose a negative drag on Asian FX amid moderating inflow momentum and small outflows registered for the **TWD** and **IDR**.
- In a nutshell, despite implicit dollar vulnerability within G10, Asian FX may continue to lag in the face of a continued re-balancing of interest towards EM/Asian assets. The **ACI (Asian Currency Index)** may thus continue to flat line in the interim despite the **FXSI (FX Sentiment Index)** heading lower within Risk-On territory on Monday.
- **SGD NEER:** The SGD NEER backed away from highs near +0.84% on Monday and is significantly softer on the day at around +0.56% above its perceived parity (1.3930) this morning. NEER-implied USD-SGD thresholds meanwhile are roughly static to a touch firmer on the day with the +0.80% threshold estimated at 1.3820, where it is expected to provide an intra-day floor for the pair. On the top side, the 55-day MA (1.3889) is expected to provide initial resistance.

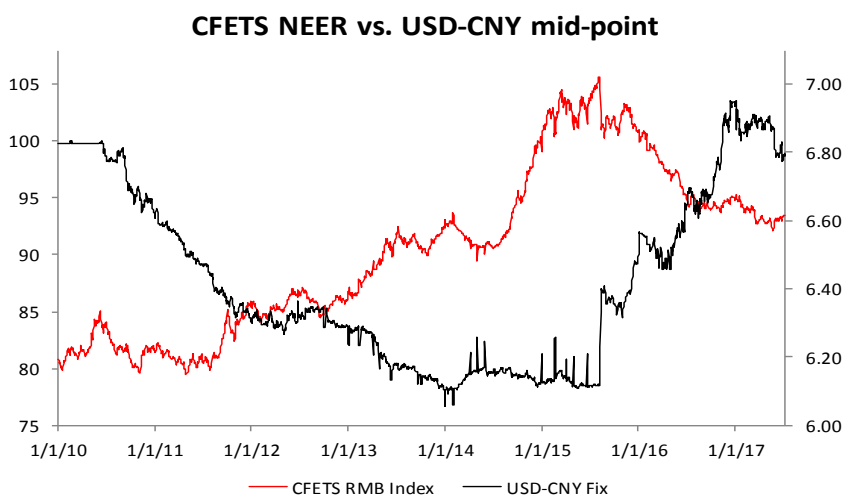
Treasury Research &
Strategy

Emmanuel Ng
+65 6530 4073
ngcyemmanuel@ocbc.com



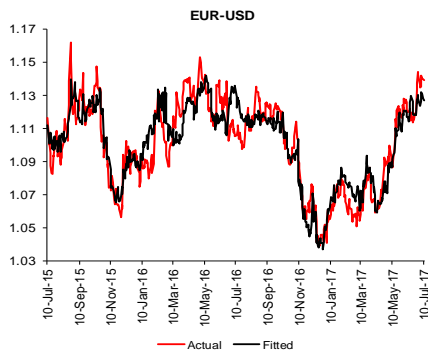
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point climbed slightly (as largely expected) to 6.7983 from 6.7964 on Monday, pulling the CFETS RMB Index slightly lower to 93.48 from 93.50.



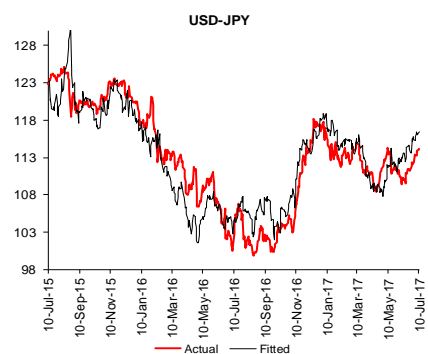
Source: OCBC Bank, Bloomberg

G7



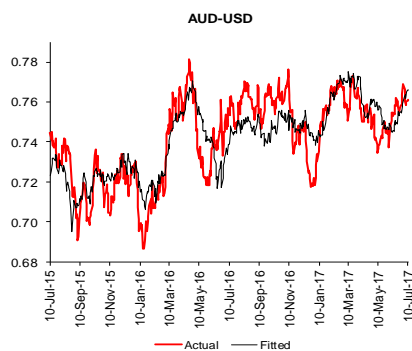
Source: OCBC Bank

- EUR-USD** Short term implied valuations are consolidating slightly lower (with EZ bond yields retracing lower) for the EUR-USD ahead of verbal cues from the Fed and the ECB later today. Preference to collect dips to 1.1350 with 1.1450 seen as a near term cap.



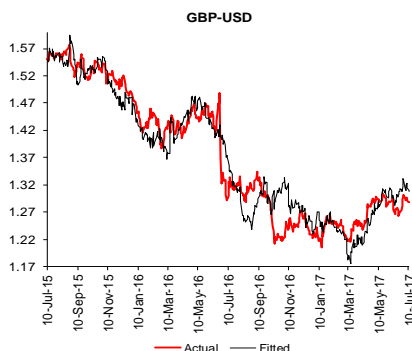
Source: OCBC Bank

- USD-JPY** Policy dichotomy and resultant yield differential arguments remain the name of the game for the USD-JPY. In addition, any further improvement in risk appetite levels may be expected to elevate the JPY-crosses. Short term valuations for the USD-JPY meanwhile remain underpinned and the pair we think remains constructive within 113.50-114.50.



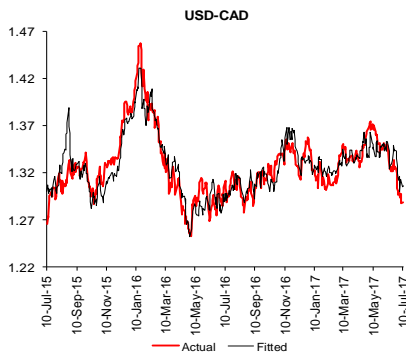
Source: OCBC Bank

- AUD-USD** The June NAB business conditions index came in at a better than expected reading of 15 this morning although May home loans disappointed at +1.0% mom. However, short term implied valuations remain intent on pulling higher and if risk appetite levels continue to improve (note improving steel/iron ore complex) expect initial support to emerge towards 0.7585 and with the 100-day MA (0.7551) situated at 0.7551. In the interim, with 0.7650 is seen capping intra-day with contrasting influences at play.



Source: OCBC Bank

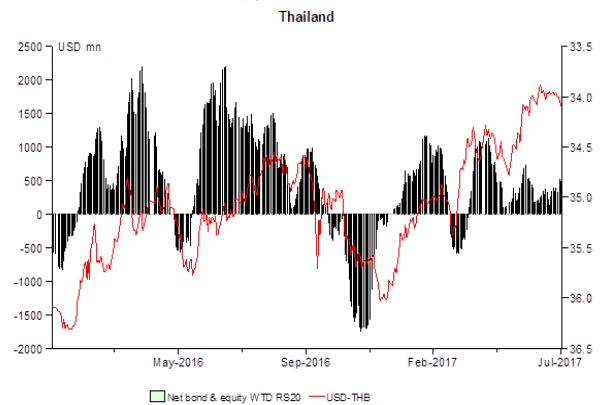
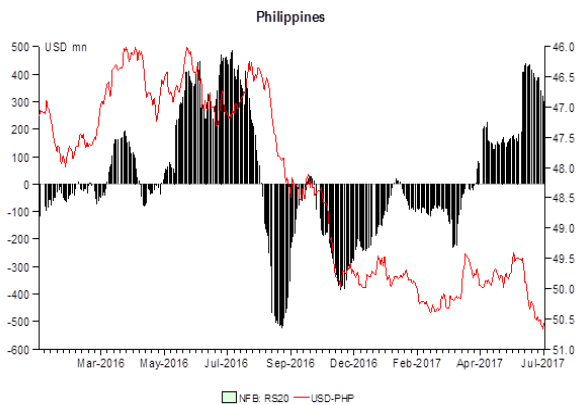
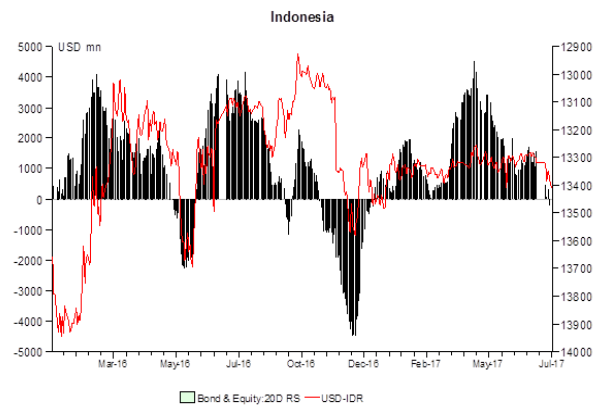
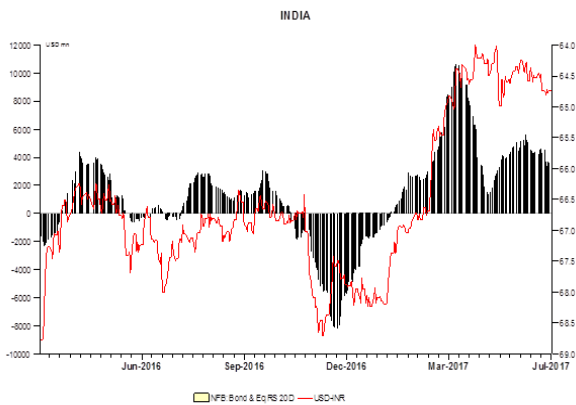
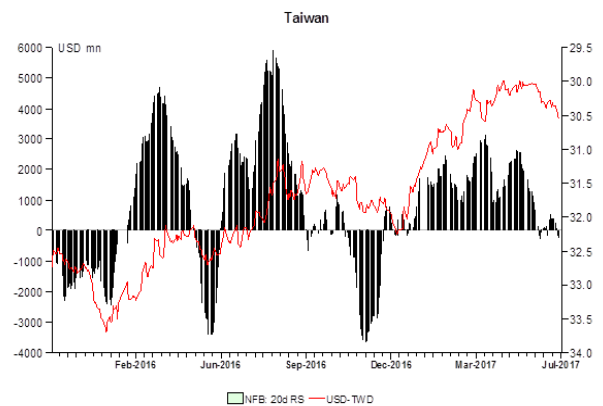
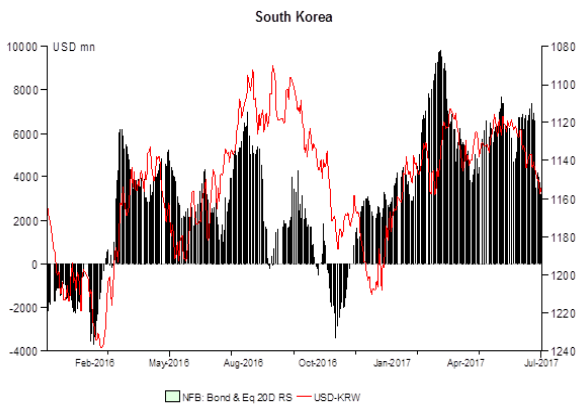
- GBP-USD** The BOE's Haldane (0900 GMT) and Broadbent (1100 GMT) are due to make appearances today and pending headline risks 9hawkish rhetoric risks a recoil back towards 1.3000), note that skepticism towards the GBP remains in circulation. Short term implied valuations have also been capitulating lower of late and a breach of the 55-day MA (1.2877) risks further decay towards 1.2825.



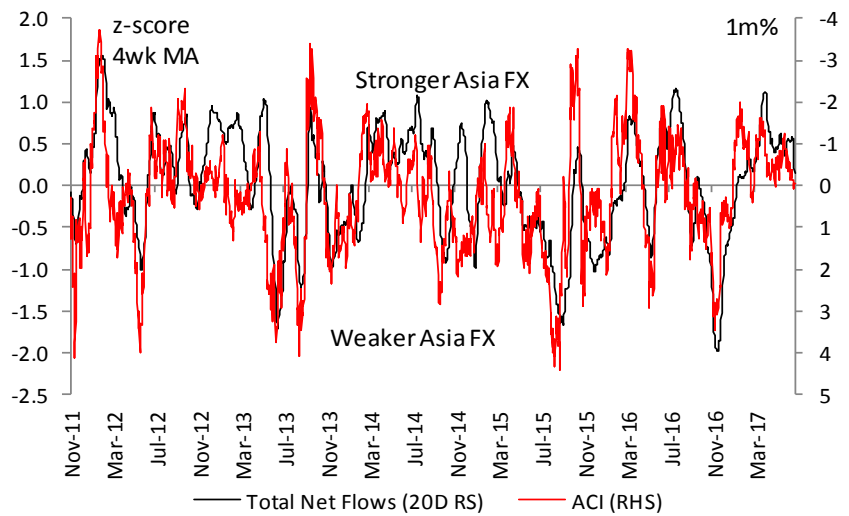
- USD-CAD** The CAD found some support following hawkish comments from Finance Minister Morneau on Monday. Meanwhile, short term implied valuations remain slippery ahead of the BOC tomorrow and inherent risk of a bounce on any perceived “disappointment” from the central bank. Nevertheless, expect a top heavy posture within 1.2840-1.2940.

Source: OCBC Bank

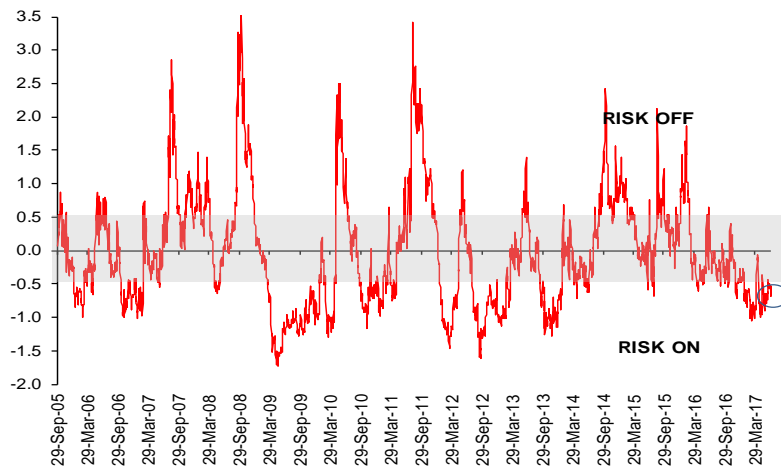
USD-Asia VS. Net Capital Flows



ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1	-0.819	0.746	0.675	-0.219	-0.494	-0.679	-0.544	-0.551	-0.823	0.649	-0.991
CHF	0.925	-0.635	0.635	0.683	-0.372	-0.333	-0.535	-0.468	-0.492	-0.646	0.554	-0.917
CAD	0.878	-0.924	0.547	0.516	-0.178	-0.394	-0.879	-0.369	-0.468	-0.887	0.443	-0.901
CCN12M	0.781	-0.804	0.533	0.545	-0.118	-0.513	-0.629	-0.527	-0.49	-0.779	0.445	-0.787
CNY	0.746	-0.551	1	0.431	0.167	-0.812	-0.145	-0.802	-0.519	-0.589	0.964	-0.671
CNH	0.649	-0.485	0.964	0.414	0.264	-0.837	-0.06	-0.81	-0.527	-0.548	1	-0.57
SGD	0.632	-0.344	0.902	0.299	0.099	-0.72	-0.003	-0.7	-0.317	-0.486	0.87	-0.539
THB	-0.375	0.674	-0.129	-0.521	-0.324	0.22	0.593	0.107	0.608	0.656	-0.13	0.436
INR	-0.525	0.696	-0.121	-0.529	0.285	0.133	0.774	0.228	0.537	0.543	-0.056	0.58
TWD	-0.529	0.73	0.022	-0.395	0.182	-0.135	0.893	-0.16	0.339	0.653	0.062	0.609
MYR	-0.631	0.73	-0.072	-0.512	0.385	-0.038	0.884	0.043	0.437	0.619	0.042	0.709
KRW	-0.648	0.796	-0.087	-0.508	0.252	-0.015	0.898	0.01	0.434	0.707	-0.032	0.722
NZD	-0.664	0.398	-0.247	-0.331	0.581	-0.033	0.55	0.108	0.034	0.428	-0.13	0.673
PHP	-0.676	0.771	-0.127	-0.562	0.383	-0.014	0.913	0.062	0.496	0.671	-0.021	0.757
JPY	-0.679	0.855	-0.145	-0.473	0.292	0.072	1	0.078	0.397	0.743	-0.06	0.755
AUD	-0.685	0.438	-0.557	-0.29	0.345	0.309	0.465	0.394	0.183	0.417	-0.412	0.668
USGG10	-0.819	1	-0.551	-0.595	0.003	0.552	0.855	0.493	0.672	0.937	-0.485	0.849
IDR	-0.878	0.933	-0.228	-0.684	0.23	0.143	0.935	0.116	0.597	0.911	-0.139	0.929
GBP	-0.946	0.77	-0.705	-0.581	0.257	0.478	0.678	0.547	0.48	0.753	-0.588	0.928
EUR	-0.991	0.849	-0.671	-0.693	0.269	0.427	0.755	0.474	0.564	0.838	-0.57	1

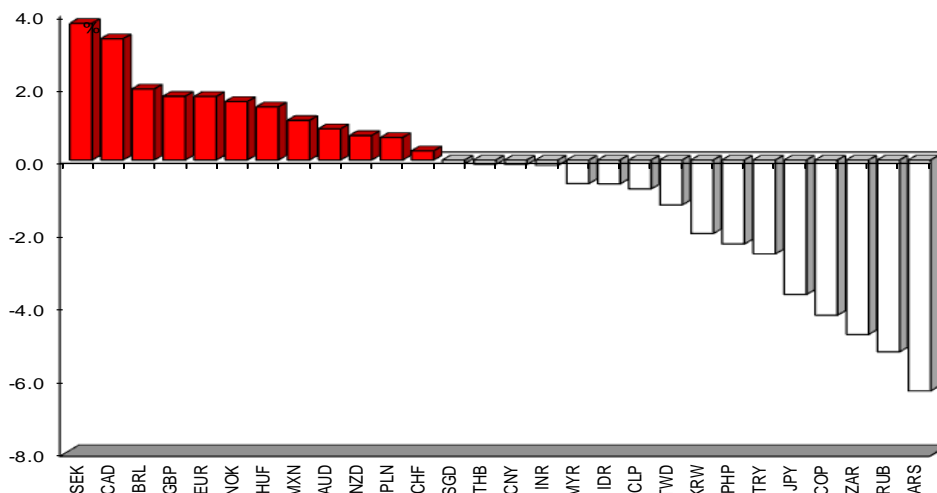
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1186	1.1300	1.1395	1.1400	1.1445
GBP-USD	1.2800	1.2869	1.2877	1.2900	1.3030
AUD-USD	0.7525	0.7600	0.7605	0.7675	0.7700
NZD-USD	0.7200	0.7204	0.7241	0.7300	0.7324
USD-CAD	1.2800	1.2860	1.2898	1.2900	1.3328
USD-JPY	111.86	114.00	114.13	114.30	114.60
USD-SGD	1.3747	1.3800	1.3849	1.3875	1.3900
EUR-SGD	1.5517	1.5700	1.5781	1.5800	1.5830
JPY-SGD	1.2097	1.2100	1.2134	1.2200	1.2404
GBP-SGD	1.7621	1.7800	1.7833	1.7854	1.7900
AUD-SGD	1.0423	1.0500	1.0531	1.0571	1.0595
Gold	1204.00	1205.13	1211.80	1238.11	1249.20
Silver	15.44	15.50	15.60	15.60	16.69
Crude	42.26	44.60	44.68	44.70	46.96

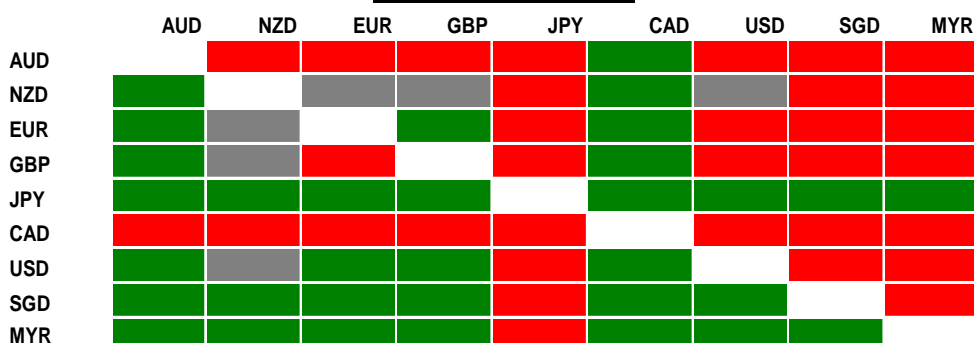
Source: OCBC Bank

FX performance: 1-month change agst USD



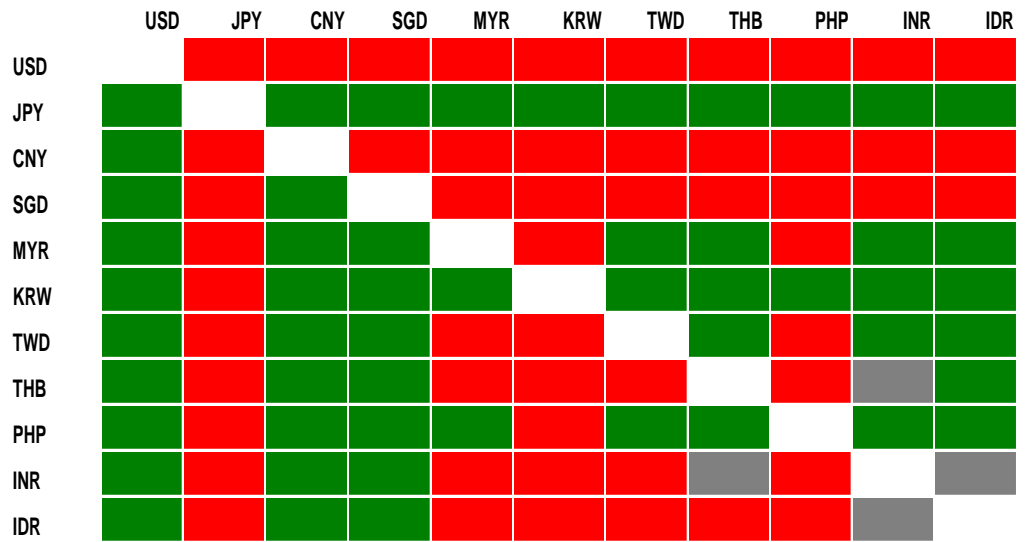
Source: Bloomberg

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	23-May-17	S	USD-CAD	1.3494	1.2825	1.3155	USD skepticism, sanguine risk appetite, supported crude	
2	28-Jun-17	B	USD-JPY	112.31	114.80	111.05	Yield differential argument supportive of the USD-JPY	
3	04-Jul-17	B	EUR-USD	1.1346	1.1550	1.1240	Draghi's change of stance in lat June may further fuel the EUR	
STRUCTURAL								
4	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
5	05-Jun-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.0.24%				Increasingly endemic USD weakness, +ve risk appetite	
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	17-May-17	14-Jun-17	B	EUR-USD	1.1120	1.1209	Disappointing US data feed, reversal of political risk premiums	+0.63
2	24-May-17	15-Jun-17	S	USD-SGD	1.3899	1.3828	Supportive Asian portfolio inflow environment, soggy USD	+0.49
3	01-Jun-17	22-Jun-17	S	USD-JPY	111.00	111.16	Weak broad dollar disposition	-0.25
4	24-Apr-17	22-Jun-17		Bullish 2M 1X2 EUR-USD Call Spread Spot ref: 1.0863; Strikes: 1.0894, 1.1188; Exp: 22/06/17; Cost: 0.62%			Deflating French risks, USD skepticism	+1.92**
5	12-Jun-17	28-Jun-17	S	GBP-USD	1.2760	1.2915	UK politticy cuncertainty/limbo	-1.13
6	16-May-17	29-Jun-17	S	AUD-USD	0.7407	0.7670	Global reflation plays to continue to wobble?	-3.46
7	08-Jun-17	04-Jul-17	B	AUD-USD	0.7550	0.7620	Supportive Aussie GDP and China trade numbers, steady risk appetite	+0.93
* realized **of notional							Jan-Jun 2017 Return	-13.02
							2016 Return	+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.
