

Thursday, January 12, 2017

**FX Themes/Strategy/Trading Ideas**

- With little of substance in terms of fiscal stimulus rhetoric, the dollar stepped lower during and post the Trump press conference on Wednesday with the antipodeans leading the way higher (as well as dominating across G10 space).
- We think this is instructive and the interplay between reflation and Trumponomics may continue to jostle for market attention in the coming weeks. Intra-day, expect more of the same from overnight in the current session as short-term dollar bulls go back to the drawing board. Ahead, look also to the string of Fed appearances (Harker, Evans, Lockhart, Bullard, Kaplan) tonight for further directionality.
- Elsewhere, the **FXSI (FX Sentiment Index)** inched higher slightly on Wednesday but stayed safely in Risk-Neutral territory, aided by positive EZ/US equities.

**Asian FX**

- With the USD environment now in a short term flux, expect the **ACI (Asian Currency Index)** to continue to drift lower for a third consecutive session. As noted previously, the stabilization and improvement in the net capital flow situation Asia previously should also lend a helping hand to the Asian units in the current episode of broad dollar hesitation.
- **SGD NEER:** With the broad USD crashing out post-Trump and the USD-SGD falling in sympathy, the SGD NEER is firmer on the day at around +0.08% above its parity (1.4287). NEER-implied USD-SGD thresholds are lower on the day with +0.50% estimated at 1.4216 and -0.50% at 1.4359. Although near term dollar dynamics may be have altered slightly, it remains to be seen if the NEEER would be able to persist above parity for an extended period of time.
- If broad dollar strength continues to dissolve intra-day, expect USD-SGD to challenge the support at the 55-day MA (1.4251) before 1.4220. Preference to fade upticks in the pair with the USD-SGD also having violated an upward trend line support established from late Sep 16. Caveat however is that our volatility indicators for the SGD NEER and USD-SGD are heating up, portending market caution toward testing the downside for the pair too rapidly.

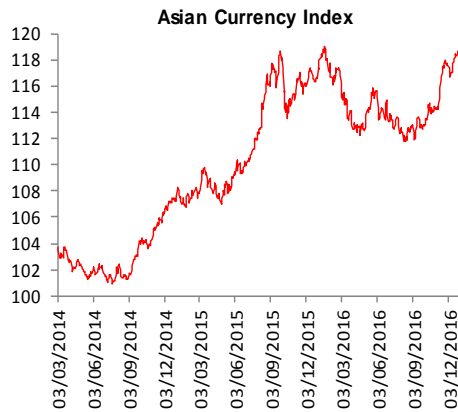
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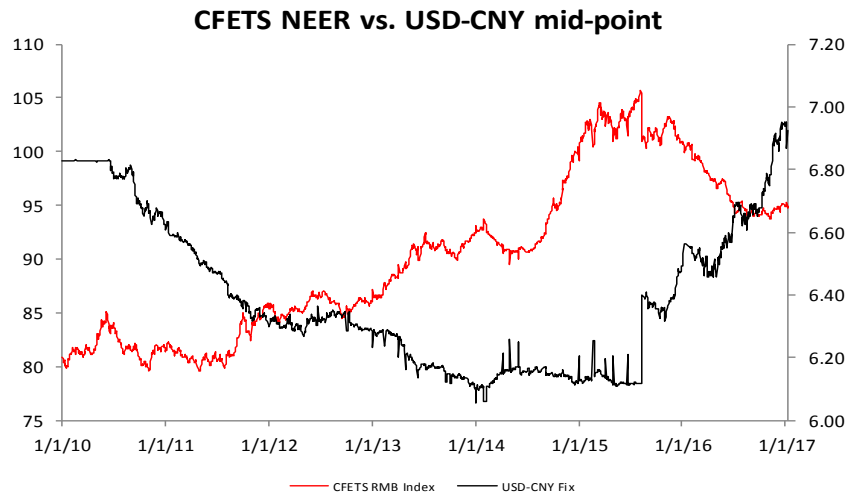
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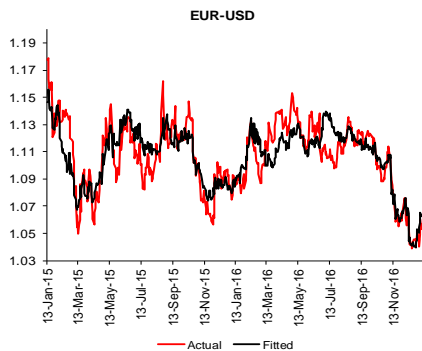
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point this morning fell to 6.9141 (as largely expected) from 6.9235 yesterday. This left the **CFETS RMB Index** lower on the day at 94.68 compared to 94.86 on Wednesday. Calmer conditions may continue to prevail in the near term with the mid-point determination now seemingly reverting to its prior modus operandi. Note however the CNH-CNY basis still in a premium with market participants still wary.



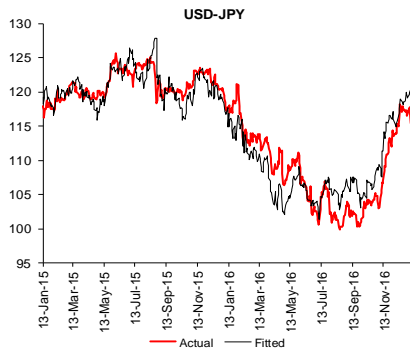
Source: OCBC Bank, Bloomberg

**G7**



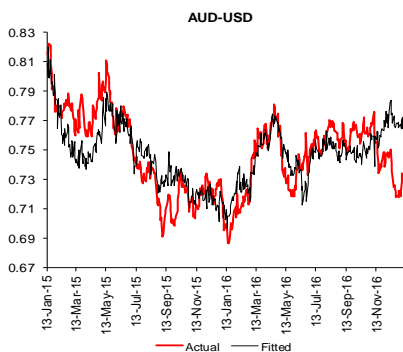
Source: OCBC Bank

- EUR-USD** Markets may continue to collect into any weakness for the EUR-USD in the short term. Short-term implied valuations for the pair have lifted again in reaction to the disappointment following Trump's press conference. If the EUR-USD manages to overcome the 1.0600 ceiling, look towards 1.0615 and then the 55-day MA (1.0653). preference to bounce on dips.



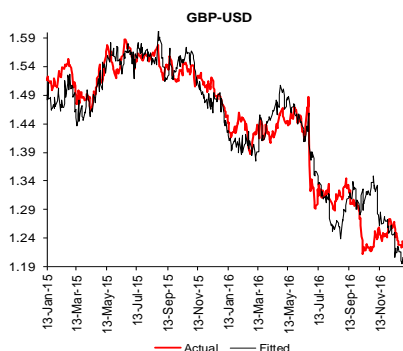
Source: OCBC Bank

- USD-JPY** With the USD-JPY the recent vanguard for USD strength post the US elections, expect risk for a sustained violation of 115.00. Beyond this threshold, way points include the .236 Fibonaci retracement at 114.33, the 55-day MA (112.75), before the .382 Fibonaci level of 111.61. Short term valuations for the pair have also sputtered and may be beginning to stall.



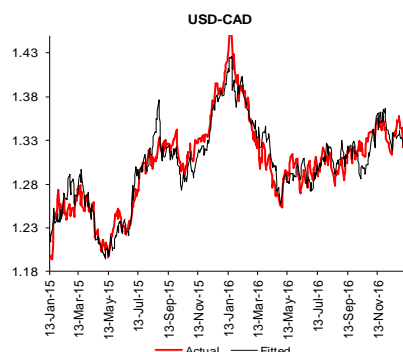
Source: OCBC Bank

- AUD-USD** We stay with our near term view that the AUD-USD may be expected to continue to reel itself towards its (still) firmer short term implied valuations. With the clean break above the 55-day MA (0.7422) the next upside pit stop is expected towards 0.7500.



Source: OCBC Bank

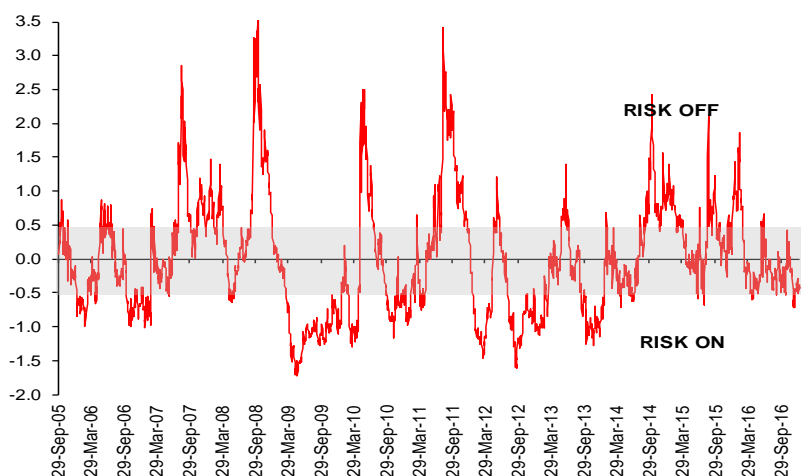
- GBP-USD** The GBP-USD was saved by the Trump on Wednesday despite ongoing Brexit concerns. Despite the BOE's Carney downplaying risks to the financial system from Brexit, the pair is expected to straddle the 1.2200 handle within 1.2100-1.2300 in the near term despite marginally higher implied short term valuations.



Source: OCBC Bank

- USD-CAD** Short term implied valuations for the pair continue to deflate with the USD-CAD spot also in tow. In the near term, we see potential scope to test towards the 200-day MA (1.3100). We stay with our tactical short for the pair from 09 Jan 17.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.559	0.853	-0.164	-0.670	-0.550	0.885	0.035	-0.113	-0.573	0.520	-0.976
CHF	0.941	0.766	0.821	-0.259	-0.775	-0.571	0.907	-0.071	0.038	-0.347	0.676	-0.966
SGD	0.917	0.501	0.830	-0.408	-0.703	-0.481	0.864	0.164	0.105	-0.540	0.656	-0.898
JPY	0.885	0.680	0.713	-0.221	-0.639	-0.547	1.000	-0.056	0.039	-0.422	0.530	-0.915
CNY	0.853	0.465	1.000	-0.286	-0.541	-0.511	0.713	0.011	0.054	-0.344	0.705	-0.820
THB	0.843	0.500	0.626	-0.276	-0.826	-0.271	0.675	0.425	-0.076	-0.572	0.491	-0.799
CAD	0.823	0.504	0.711	-0.459	-0.796	-0.288	0.710	0.358	0.172	-0.528	0.669	-0.787
IDR	0.744	0.283	0.642	-0.429	-0.669	-0.209	0.612	0.491	0.171	-0.616	0.464	-0.672
PHP	0.589	0.850	0.581	-0.359	-0.814	-0.484	0.618	-0.150	0.113	0.105	0.697	-0.688
KRW	0.583	-0.210	0.582	0.019	-0.151	-0.185	0.331	0.395	-0.271	-0.740	0.181	-0.428
USGG10	0.559	1.000	0.465	-0.289	-0.813	-0.368	0.680	-0.193	0.168	0.116	0.617	-0.641
TWD	0.556	-0.030	0.583	-0.350	-0.376	0.028	0.361	0.579	0.233	-0.626	0.352	-0.431
MYR	0.539	-0.230	0.451	-0.168	-0.106	-0.076	0.300	0.361	-0.101	-0.725	-0.010	-0.409
CNH	0.520	0.617	0.705	-0.640	-0.695	-0.376	0.530	-0.049	0.479	0.082	1.000	-0.578
CCN12M	0.480	0.324	0.562	-0.745	-0.569	-0.020	0.439	0.335	0.707	-0.195	0.659	-0.483
INR	0.244	-0.528	0.360	0.110	0.310	-0.098	-0.043	0.191	-0.229	-0.436	-0.032	-0.132
GBP	-0.484	0.330	-0.495	-0.117	-0.099	0.310	-0.145	-0.097	0.317	-0.678	0.001	0.273
AUD	-0.835	-0.290	-0.691	0.330	0.654	0.287	-0.726	-0.427	-0.007	0.710	-0.495	0.780
NZD	-0.862	-0.230	-0.708	0.101	0.518	0.424	-0.705	-0.272	0.263	0.788	-0.365	0.784
EUR	-0.976	-0.641	-0.820	0.213	0.695	0.589	-0.915	0.042	0.036	0.468	-0.578	1.000

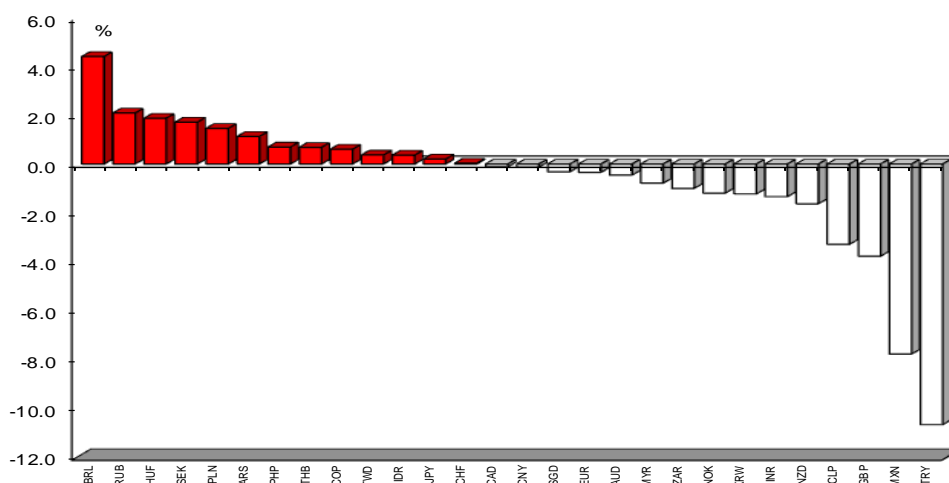
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0345	1.0500	1.0599	1.0600	1.0610
GBP-USD	1.2100	1.2121	1.2194	1.2200	1.2419
AUD-USD	0.7400	0.7435	0.7460	0.7497	0.7500
NZD-USD	0.7053	0.7058	0.7069	0.7078	0.7100
USD-CAD	1.3100	1.3112	1.3144	1.3200	1.3370
USD-JPY	113.57	114.00	114.79	115.00	115.06
USD-SGD	1.4266	1.4276	1.4277	1.4300	1.4547
EUR-SGD	1.5017	1.5100	1.5132	1.5144	1.5188
JPY-SGD	1.2228	1.2400	1.2437	1.2448	1.2500
GBP-SGD	1.7399	1.7400	1.7409	1.7500	1.7735
AUD-SGD	1.0600	1.0625	1.0651	1.0700	1.0714
Gold	1125.40	1192.91	1197.80	1198.90	1200.00
Silver	15.75	16.80	16.86	16.90	16.90
Crude	51.21	52.10	52.17	52.20	54.59

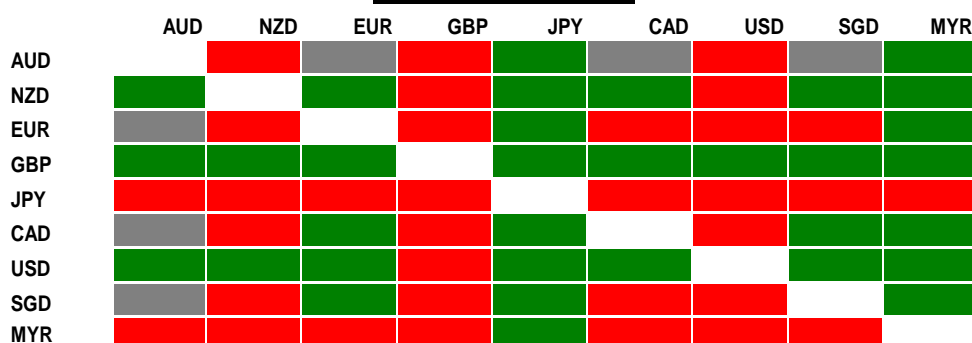
Source: OCBC Bank

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



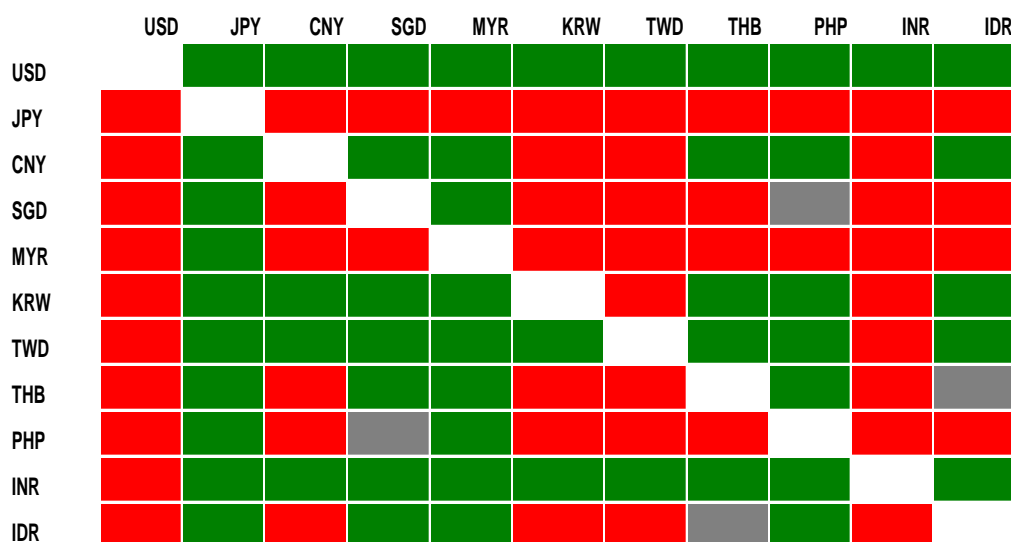
Source: Bloomberg

### 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	
<b>TACTICAL</b>								
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	
<b>STRUCTURAL</b>								
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, political 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	
<b>RECENTLY CLOSED</b>								
	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
<b>2016 Return</b>								<b>+6.91</b>

Source: OCBC Bank

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