

**Monday, February 13, 2017**

### FX Themes/Strategy/Trading Ideas – The week ahead

- Except against the AUD and CAD, the USD firmed slightly against its G10 cohorts on Friday with investors at a slight loss in terms of directionality. Meanwhile, the greenback starts the week (note firmer UST curve on Fri) on a firmer note via the USD-JPY after Trump reaffirmed US support for Japan over the weekend with no mention of FX issues by the US President. In the near term, USD bulls may be expected to hang on to the prospect of a “phenomenal” US tax plan and Fed rate hike prospects.
- On the latter, **Yellen** appears before the Senate Banking Panel on Tuesday and the House Financial Services Committee on Wednesday. Note that Fed speak in the past week has continued to express confidence in a rate hike trajectory (despite Fischer over the weekend sounding somewhat even handed).
- Positive global equities/commodities has bolstered investor sentiment and pulled the **FXSI (FX Sentiment Index)** lower and deeper into Risk-On territory on Friday. Thus, given fairly optimistic risk appetite levels, the cyclicals (continuing from last Friday) may continue to outperform across G10 space, and in the current environment, especially against the JPY.
- On the **CFTC** front, large not commercial/leveraged/asset managers reduced their implied long dollar bias in the latest week, although we note these numbers preceded President Trump’s promise of a phenomenal tax plan in “two or three” weeks.

### Asian FX

- Despite positive global risk appetite levels and an encouraging set of January China trade numbers, the regional currencies are expected to continue to react to a firmer USD environment intra-day with the **ACI (Asian Currency Index)** attempting to bottom out. Also this week, look towards China January monetary aggregates for further regional cues. On the central bank front, **Bank Indonesia** is expected to stand pat at 4.75% on Thursday.
- **SGD NEER:** Amidst a stronger US tone, the SGD NEER is yet softer this morning at around -0.59% below its perceived parity (1.4164). NEER-implied USD-SGD thresholds are slightly firmer on the day with the next notable threshold at -0.70% estimated at 1.4265. In the interim, expect USD-SGD moves to be also tempered by caution implied from out short term volatility indicators. Technical resistance may be expected into 1.4265 and at a stretch, the 55-day MA (1.4299).

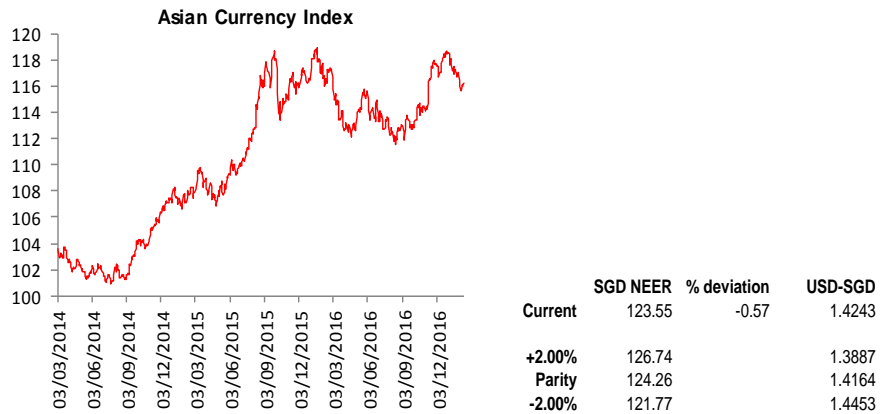
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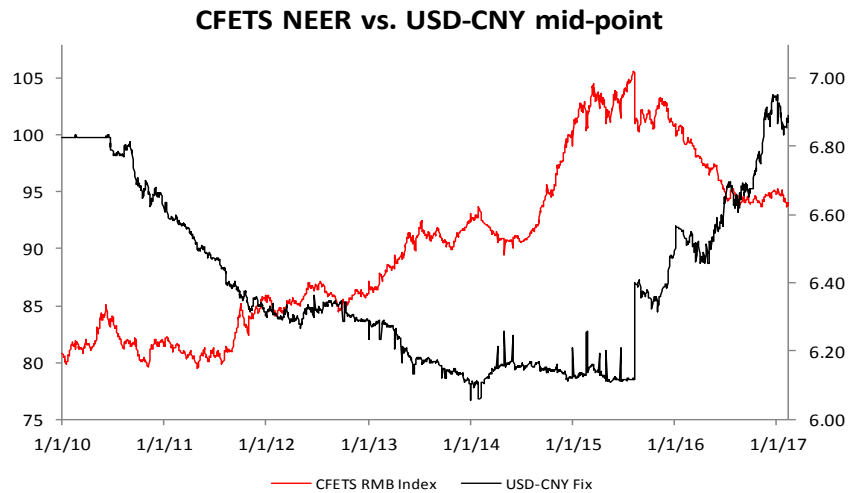
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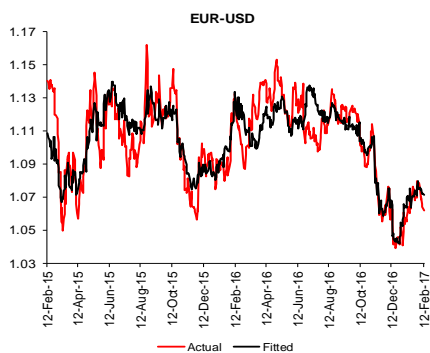
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point rose slightly more than expected to 6.8898 from 6.8819 on Friday. As a result, the **CFETS RMB Index** inched slightly lower to 94.00 from to 94.03 on Friday.



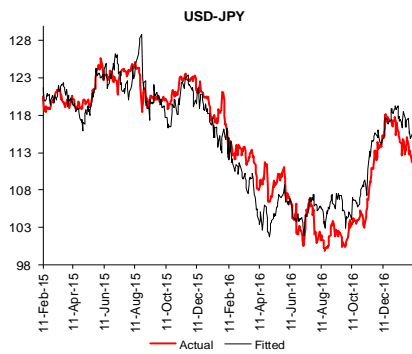
Source: OCBC Bank, Bloomberg

**G7**



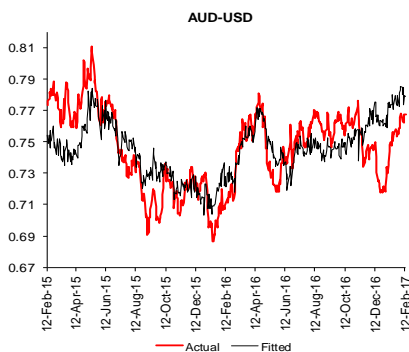
Source: OCBC Bank

- EUR-USD** ECB meeting minutes are scheduled for Thursday but in the interim, the overhang from EZ political risks imply that the EUR-USD is expected to continue to align itself with softening short term implied valuations. This would also be despite the ECB's Nowotny indicating that discussions on a reduction of QE would be initiated in mid-2017 and hawkish comments from the ECB's Mersch. Technically, expect initial support towards the 55-day MA (1.0606), with a breach risking a move towards 1.0535.



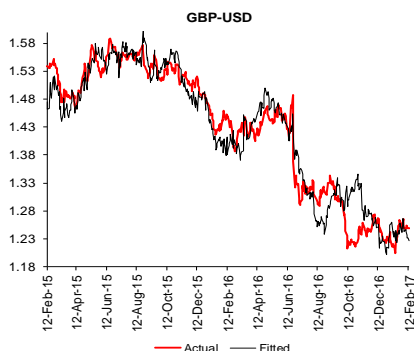
Source: OCBC Bank

- USD-JPY** As noted previously, USD-JPY may continue to be buffeted by the Trump-trade and FOMC-related expectations. On the flip side of the equation, the BOJ.s efforts to continue to anchor the yield curve may also keep the JPY structurally disadvantaged. Following the latest Trump-Abe news flow over the weekend, expect a near term bottoming out of the USD-JPY at this juncture although no sharp turnaround higher is envisaged as yet. Immediate resistance is at 114.00 before the 55-day MA (115.00).



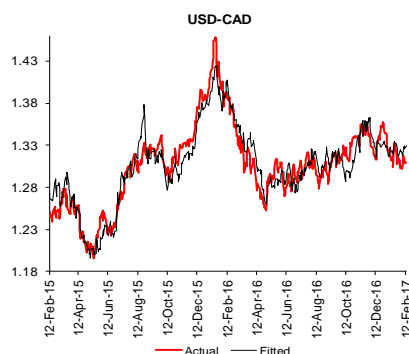
Source: OCBC Bank

- AUD-USD** January labor market numbers are due on Thursday and in the interim, the AUD may attempt to lean against a firmer USD on the back positive risk appetite levels and somewhat supportive global macro/commodity backdrop. In this environment, dips in the AUD-USD may be shallow within 0.7630-0.7700.



Source: OCBC Bank

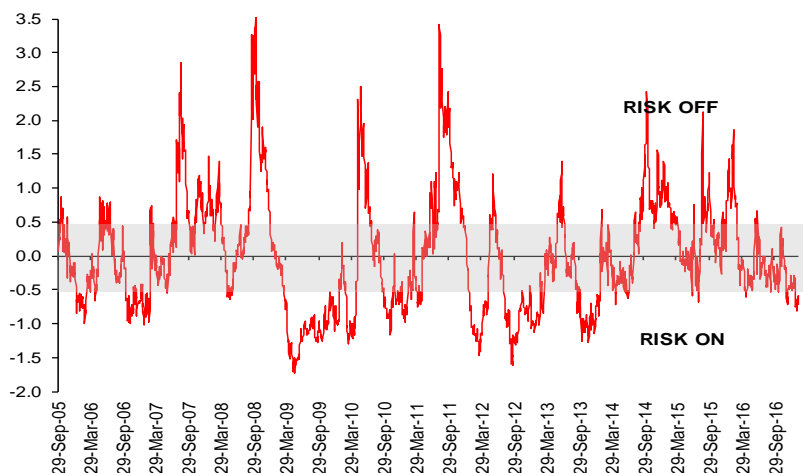
- GBP-USD** Despite better than expected December industrial production figures, the GBP-USD was nevertheless weighed by a stronger greenback on Friday. Brexit baggage and a near term USD support would still suggest a top heavy profile for the GBP-USD and a violation of the 100-day MA (1.2436) and 55-day MA (1.2433) may light the way to 1.2400.



Source: OCBC Bank

- USD-CAD** The CAD was boosted by firmer crude and an outperforming labor market report on Friday. Much like the antipodeans, a supported commodity complex may afford the CAD some buffer against the USD despite the pair trading slightly stretched on the downside relative to its implied short term valuations. Range bound behavior within 1.3000-1.3200 may continue to persist with the 200-day MA (1.3142) offering near term resistance.

### 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	-0.400	0.734	-0.417	-0.464	-0.115	0.802	-0.661	0.052	-0.483	0.781	-0.951
CHF	0.961	-0.382	0.698	-0.438	-0.554	0.056	0.792	-0.618	0.030	-0.567	0.694	-0.922
SGD	0.872	-0.135	0.561	-0.340	-0.388	-0.003	0.885	-0.545	-0.042	-0.519	0.779	-0.850
MYR	0.870	-0.598	0.632	-0.626	-0.660	0.026	0.580	-0.626	0.174	-0.400	0.627	-0.820
TWD	0.864	-0.254	0.554	-0.757	-0.759	0.170	0.844	-0.568	0.306	-0.628	0.638	-0.739
THB	0.803	-0.146	0.623	-0.680	-0.735	0.082	0.825	-0.554	0.154	-0.680	0.553	-0.626
JPY	0.802	0.128	0.631	-0.393	-0.421	0.059	1.000	-0.412	-0.003	-0.626	0.743	-0.708
KRW	0.793	-0.246	0.617	-0.697	-0.736	0.156	0.820	-0.501	0.186	-0.610	0.641	-0.671
CNH	0.781	-0.144	0.792	-0.078	-0.022	-0.411	0.743	-0.430	-0.132	-0.120	1.000	-0.816
CNY	0.734	-0.112	1.000	-0.083	-0.129	-0.372	0.631	-0.216	-0.284	-0.171	0.792	-0.708
CAD	0.616	-0.113	0.088	-0.450	-0.456	-0.113	0.526	-0.692	0.320	-0.427	0.418	-0.525
INR	0.534	0.078	0.342	-0.724	-0.771	0.286	0.700	-0.435	0.200	-0.757	0.322	-0.369
CCN12M	0.198	0.389	0.489	-0.361	-0.386	0.281	0.563	0.129	-0.014	-0.413	0.241	-0.053
IDR	-0.286	0.502	-0.224	-0.268	-0.349	0.205	0.020	0.061	0.305	-0.319	-0.274	0.388
PHP	-0.367	0.465	-0.576	0.033	-0.026	0.225	-0.139	0.170	0.216	-0.151	-0.350	0.393
USGG10	-0.400	1.000	-0.112	0.238	0.194	0.075	0.128	0.375	-0.112	-0.228	-0.144	0.445
AUD	-0.841	0.220	-0.693	0.530	0.552	0.019	-0.845	0.569	-0.070	0.504	-0.715	0.768
GBP	-0.845	0.496	-0.557	0.565	0.628	0.037	-0.578	0.630	-0.260	0.424	-0.463	0.798
NZD	-0.938	0.465	-0.634	0.524	0.586	-0.015	-0.758	0.608	-0.132	0.460	-0.708	0.895
EUR	-0.951	0.445	-0.708	0.259	0.296	0.209	-0.708	0.623	-0.010	0.311	-0.816	1.000

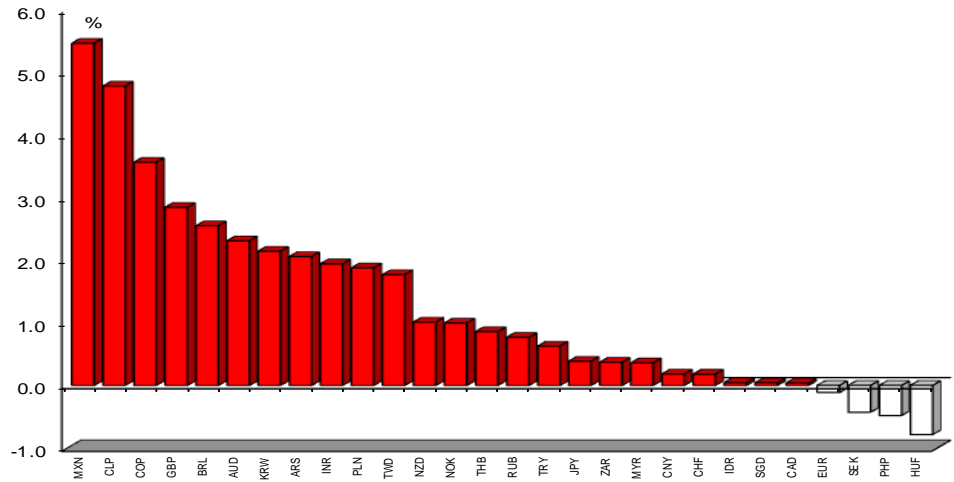
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0600	1.0606	1.0622	1.0700	1.0808
GBP-USD	1.2400	1.2407	1.2489	1.2500	1.2677
AUD-USD	0.7494	0.7600	0.7667	0.7693	0.7696
NZD-USD	0.7114	0.7127	0.7190	0.7200	0.7350
USD-CAD	1.2969	1.3100	1.3105	1.3139	1.3200
USD-JPY	111.60	113.00	113.95	114.00	115.09
USD-SGD	1.4054	1.4200	1.4236	1.4292	1.4300
EUR-SGD	1.5073	1.5100	1.5122	1.5144	1.5171
JPY-SGD	1.2400	1.2417	1.2492	1.2500	1.2636
GBP-SGD	1.7700	1.7740	1.7779	1.7800	1.7967
AUD-SGD	1.0888	1.0900	1.0915	1.0933	1.1000
Gold	1183.33	1200.00	1230.50	1243.90	1244.49
Silver	16.87	17.90	17.99	18.00	18.02
Crude	53.38	53.70	53.72	53.80	54.24

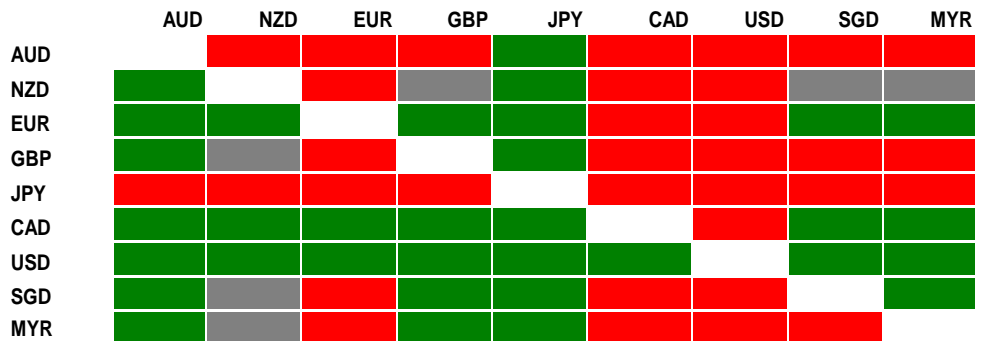
Source: OCBC Bank

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



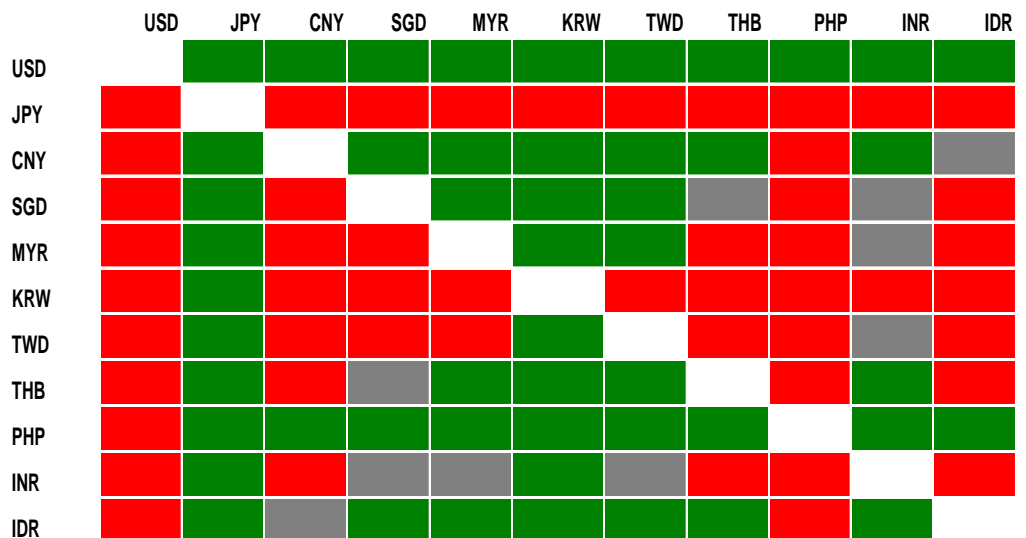
Source: Bloomberg

**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	12-Jan-17		S	USD-JPY	114.63	110.50	116.75	Downward consolidation post-Trump press conference	
2	12-Jan-17		B	AUD-USD	0.7463	0.7880	0.7560	Reflation may dominate as the Trump trade pauses	
3	18-Jan-17		B	EUR-USD	1.0688	1.1015	1.0520	Dollar hiccup, hint of inflation in EZ	
4	20-Jan-17		S	USD-SGD	1.4240	1.4005	1.4360	Potential for Trump's inauguration to disappoint USD bulls	
5	25-Jan-17		B	GBP-USD	1.2528	1.2910	1.2335	Subsidence of acute A50 concerns in the short term	
<b>STRUCTURAL</b>									
6	25-Oct-16		B	USD-SGD	1.3919	1.4630	1.3560	Bullish dollar prospects, negative space for SGD NEER	
7	22-Nov-16		B	USD-JPY	110.81	123.40	104.50	Potential for a more activist Fed, static BOJ	
8	28-Nov-16		S	EUR-USD	1.0641	0.9855	1.1035	USD in ascendance, political risk premium in EZ	
<b>RECENTLY CLOSED</b>									
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	20-Dec-16	12-Jan-17	CLS	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	-1.75*	
2	27-Dec-16	23-Jan-17	CLS	GBP-USD	1.2276	1.2386	A50 risks, UK current account deficits, broad USD strength	-0.77	
3	09-Jan-17	06-Feb-17	S	USD-CAD	1.3264	1.3135	Supportive crude and labor market numbers	0.92	
*of notional								Jan 2017 Return -6.78	
								2016 Return +6.91	

Source: OCBC Bank

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