

Wednesday, August 16, 2017**FX Themes/Strategy/Trading Ideas**

- Better than expected **US retail sales** (headline+0.6% mom vs. +0.3% expected while core measures also outperformed prior expectations) and the consequent rise in UST yields saw the dollar climbing another notch against its G10 counterparts on Tuesday.
- Meanwhile, the data turnout on Tuesday from the rest of the globe (China, UK, Germany, Canada) proved less than encouraging and laid the foundation for the USD's rebound. RBA meeting minutes meanwhile were a non-mover despite the as expected jawboning of the AUD. Elsewhere, with **North-Korean** situation continuing to come off the boil to a low simmer (both sides providing escape clauses in their comments), the JPY also underperformed across the board while underpinning the USD.
- **Chinese monetary aggregates** for July released on Tuesday were mixed relative to prior expectations and highlighted softening credit creation as widely expected. This provided little positive ammunition for the cyclical as a result.
- Today, market focus may be centered on the releases of the **FOMC minutes (1800 GMT)** with investors perhaps looking for slightly more supported rhetoric relative to the accompanying statement at the time of the meeting.
- **With little else in terms of scheduled central bank-speak, investors may continue to trade off rate differentials and data releases.** The data stream meanwhile includes the Australian wage price index (0130 GMT), UK labor market numbers, EZ GDP (0900 GMT), and with investors keen to latch on to US data points, US housing starts (1230 GMT). In Asia, the Bank of Thailand is expected to remain static at 1.50%.
- With long EUR and short broad dollar trades looking increasingly crowded (and shaky), we took profit on our 04 July 17 idea to be tactically long **EUR-USD** (spot ref: 1.1346) at 1.1741 on Wednesday for an implied +3.14% gain.

Asian FX

- On the Asian net portfolio inflow front, the situation remains tenuous for the KRW and TWD amid recent outflows. The INR and IDR, while having been a beneficiary of supportive inflows may also be experiencing some consolidation in investor appetite in the near term. The THB meanwhile is seen relatively more supported on the back of continued net inflows, while some moderation has also been witnessed for the MYR.

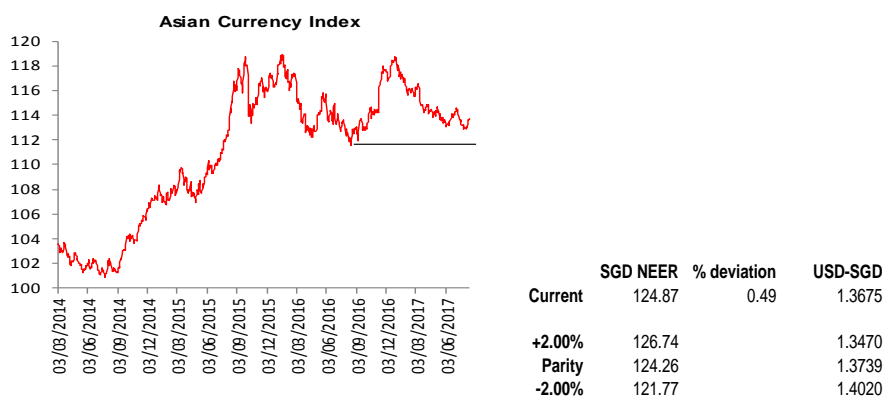
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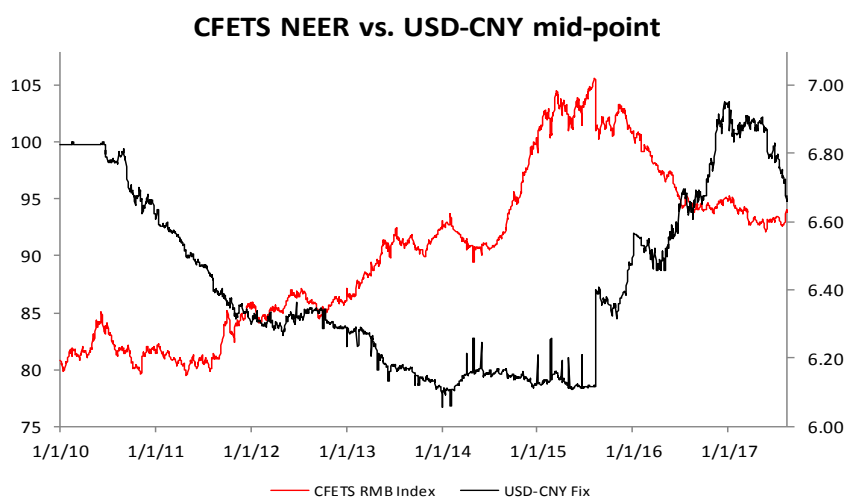
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- Overall, despite the **FXSI (FX Sentiment Index)** ticking lower again within Risk-Off territory, the **ACI (Asian Currency Index)** may be expected to inch higher intra-day.
- SGD NEER:** The SGD NEER is softer again this morning at around +0.55% above its perceived parity (1.3739) with NEER implied USD-SGD thresholds also higher on the day. At current levels, the +0.50% threshold for the USD-SGD is estimated at 1.3671 and the NEER may continue to trade soft (potentially in the direction of parity) in the face of potential USD resilience.



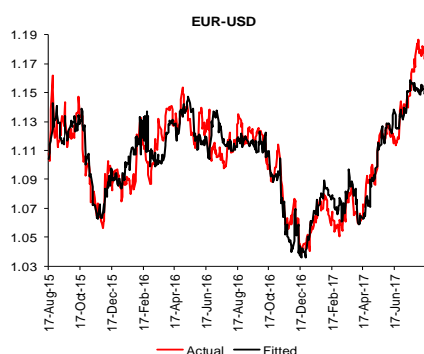
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point this morning rose as largely expected to 6.6779 from 6.6689 on Tuesday. This however still left the CFETS RMB Index higher on the day at 93.89 from 93.86 yesterday.



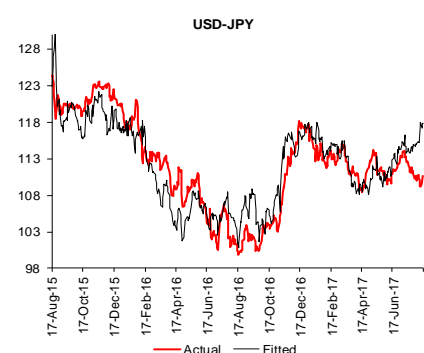
Source: OCBC Bank, Bloomberg

G7



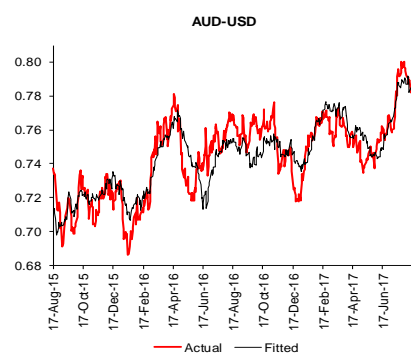
Source: OCBC Bank

- **EUR-USD** Weaker than expected German 2Q GDP numbers and subsequent USD strength pulled the EUR-USD briefly below 1.1700 on Tuesday. Short term implied valuations are inching lower and the pair may finally be getting the hint and seek to eradicate its perceived richness relative to sort term fair value. At this juncture, risk-reward may continue to be oriented towards 1.1670.



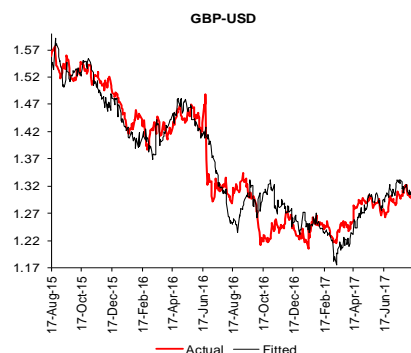
Source: OCBC Bank

- **USD-JPY** In a similar vein, USD-JPY may also continue to play catch up with its short term valuations (i.e. upside drift) in the current environment of moderating risk aversion and USD resilience. After finally surfacing above 110.00, expect potential to gravitate towards the 55-day MA (111.34) multi-session if the broad dollar continues to gain mileage across G10 space.



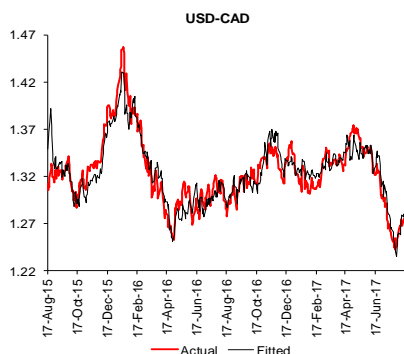
Source: OCBC Bank

- **AUD-USD** Despite the improvement in risk appetite levels of late, fade upticks in the current USD environment with 0.7800 looking increasingly fragile and with short term implied valuations still perceived as subdued. The pair is not looking distended relative to implied fair value and may remain reactive to USD and risk appetite swings in the interim. Elsewhere, better visibility perhaps can be had with a flat to biddish outlook for the AUD-NZD with 1.0840/50 seen attracting.



Source: OCBC Bank

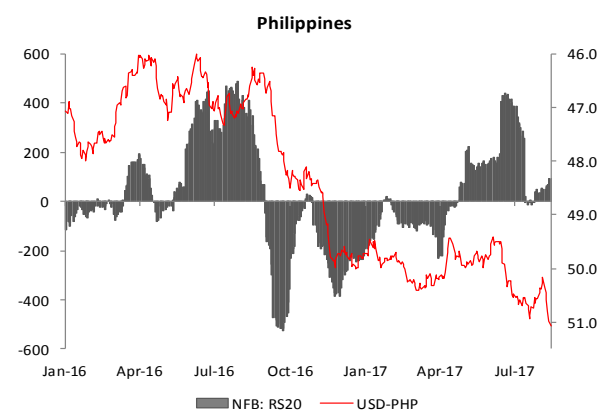
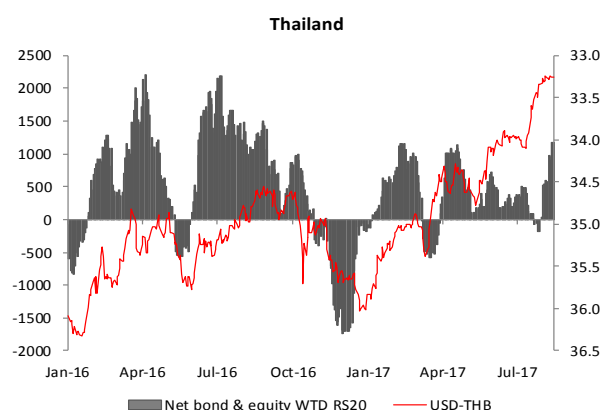
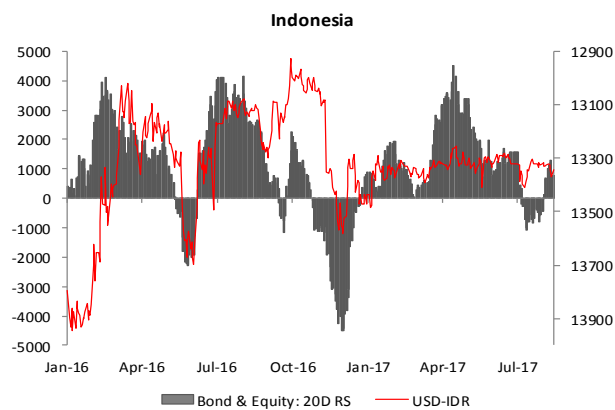
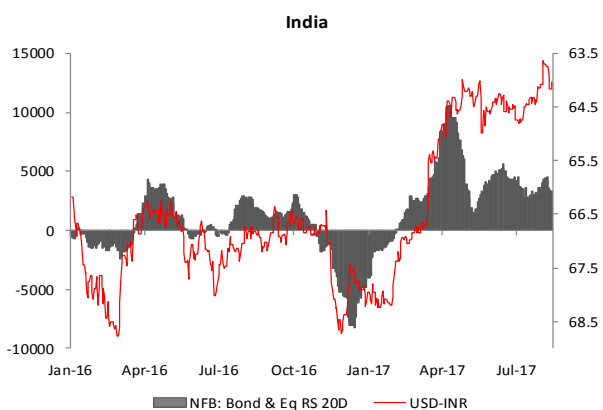
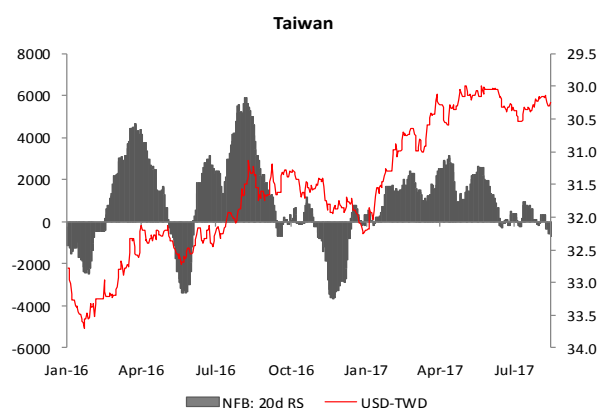
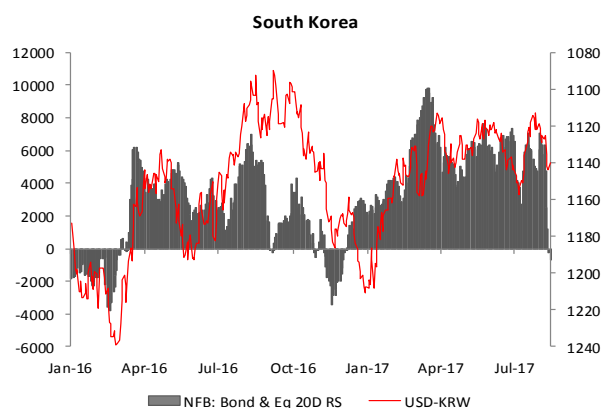
- **GBP-USD** Cooler than expected UK CPI readings set the tone for a soggy GBP-USD on Tuesday and sentiment towards the pound remains negative (against the USD and EUR) at this juncture. Short term implied valuations for the GBP-USD have also stepped lower and after the violation of the 55-day MA (1.2931), the downside waypoint at 1.2815 may be increasingly visible.

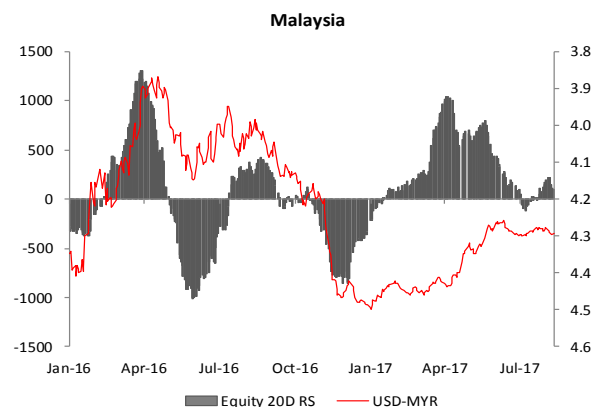


Source: OCBC Bank

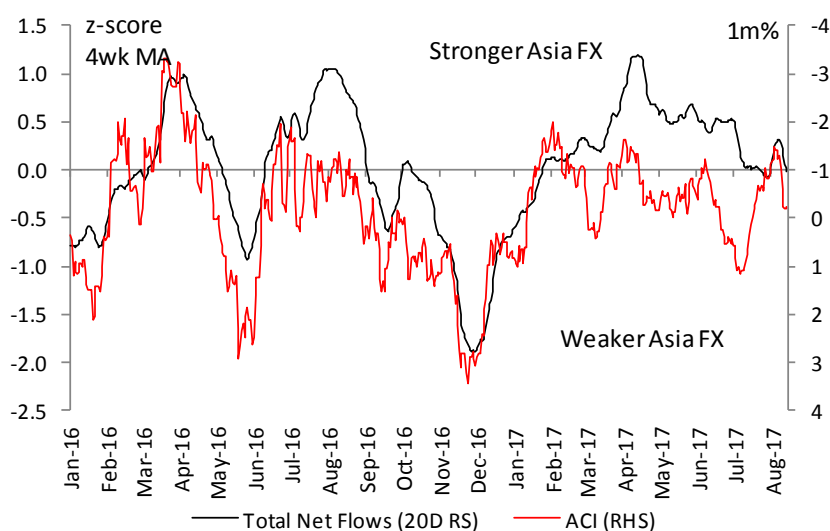
- USD-CAD** Despite crude recovering off intra-day lows, a more robust USD (and soft Canadian housing numbers) still lifted the USD-CAD yet higher again on Tuesday. Short term implied valuations for the USD-CAD remain underpinned at this juncture and the pair may continue to tread higher past 1.2800 towards 1.2860. Expect good support to materialize towards 1.2700/20.

USD-Asia VS. Net Capital Flows

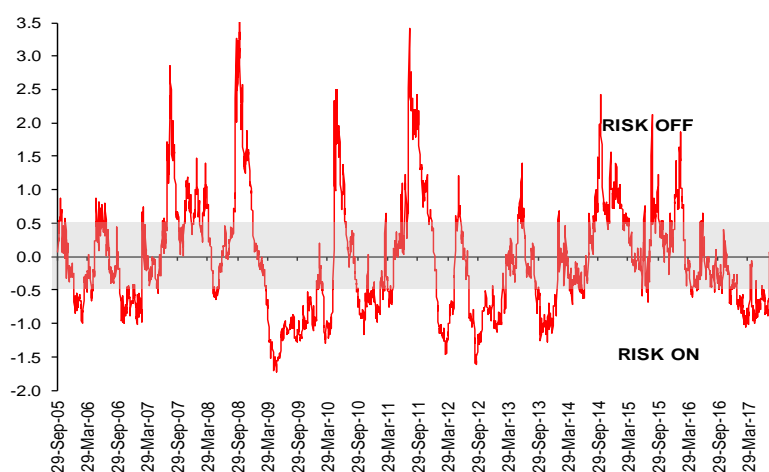




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.392	0.534	-0.035	-0.362	-0.691	0.81	-0.772	-0.332	-0.001	0.512	-0.975
THB	0.847	0.39	0.737	0.052	-0.432	-0.627	0.879	-0.757	-0.468	-0.112	0.729	-0.88
JPY	0.81	0.709	0.873	0.382	-0.096	-0.432	1	-0.572	-0.74	-0.444	0.869	-0.832
SGD	0.789	-0.016	0.068	-0.261	-0.391	-0.693	0.428	-0.7	0.043	0.324	0.026	-0.682
TWD	0.672	0.072	0.476	-0.242	-0.653	-0.735	0.559	-0.82	-0.121	0.243	0.43	-0.713
INR	0.565	0.274	0.459	-0.21	-0.596	-0.647	0.511	-0.67	-0.154	0.231	0.417	-0.646
CNY	0.534	0.66	1	0.541	0.054	-0.227	0.873	-0.43	-0.867	-0.662	0.987	-0.602
CNH	0.512	0.634	0.987	0.578	0.082	-0.215	0.869	-0.382	-0.888	-0.685	1	-0.6
PHP	0.399	-0.208	-0.235	-0.499	-0.699	-0.656	0.031	-0.571	0.396	0.708	-0.268	-0.369
USGG10	0.392	1	0.66	0.54	0.227	0.016	0.709	-0.019	-0.674	-0.55	0.634	-0.413
CAD	0.165	-0.425	-0.625	-0.486	-0.206	-0.269	-0.279	-0.152	0.577	0.581	-0.622	-0.001
MYR	0.087	-0.408	-0.572	-0.565	-0.474	-0.314	-0.277	-0.222	0.634	0.774	-0.621	0.022
CCN12M	-0.067	-0.448	-0.349	-0.138	-0.205	-0.374	-0.287	-0.254	0.247	0.395	-0.393	0.212
KRW	-0.22	-0.686	-0.818	-0.673	-0.344	0.018	-0.617	0.108	0.827	0.759	-0.836	0.325
IDR	-0.228	-0.302	-0.601	-0.455	-0.456	-0.107	-0.439	0.107	0.628	0.702	-0.631	0.306
NZD	-0.275	0.372	0.583	0.559	0.381	0.443	0.193	0.299	-0.59	-0.702	0.585	0.125
AUD	-0.361	0.218	0.38	0.506	0.44	0.603	0.065	0.441	-0.416	-0.655	0.422	0.232
GBP	-0.45	0.21	0.269	0.327	0.367	0.614	0.001	0.491	-0.329	-0.493	0.342	0.309
CHF	-0.462	-0.081	-0.53	0.047	0.337	0.54	-0.474	0.619	0.276	-0.028	-0.521	0.566
EUR	-0.975	-0.413	-0.602	0.036	0.388	0.67	-0.832	0.778	0.37	0.03	-0.6	1

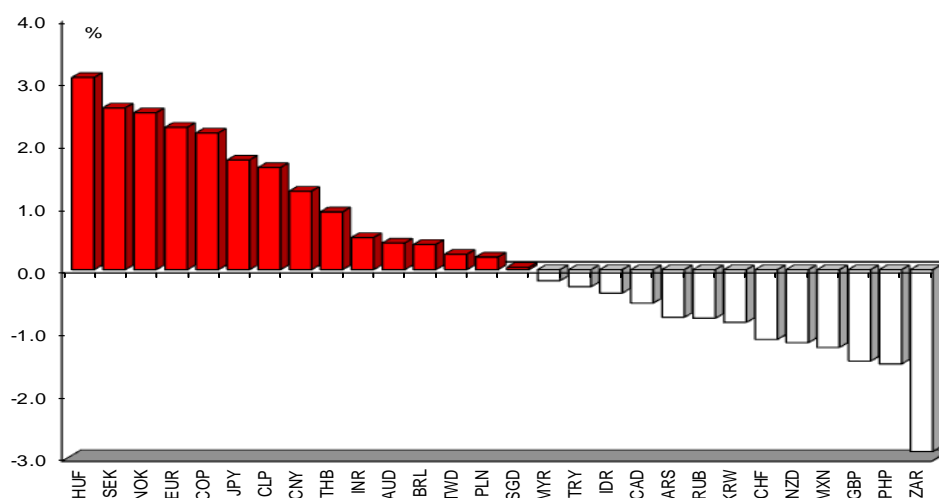
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1611	1.1700	1.1737	1.1800	1.1889
GBP-USD	1.2812	1.2841	1.2862	1.2900	1.2929
AUD-USD	0.7800	0.7817	0.7828	0.7900	0.8025
NZD-USD	0.7202	0.7209	0.7230	0.7300	0.7315
USD-CAD	1.2414	1.2700	1.2765	1.2800	1.2805
USD-JPY	109.12	110.00	110.69	111.00	111.42
USD-SGD	1.3600	1.3675	1.3677	1.3700	1.3724
EUR-SGD	1.5815	1.6000	1.6052	1.6100	1.6157
JPY-SGD	1.2300	1.2319	1.2357	1.2400	1.2464
GBP-SGD	1.7550	1.7575	1.7591	1.7600	1.7712
AUD-SGD	1.0672	1.0700	1.0706	1.0800	1.0879
Gold	1242.13	1252.36	1271.30	1288.87	1291.10
Silver	16.53	16.60	16.64	16.70	17.14
Crude	46.57	47.60	47.67	47.70	50.43

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											
JPY											
CNY											
SGD											
MYR											
KRW											
TWD											
THB											
PHP											
INR											
IDR											

Source: OCBC Bank

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	01-Aug-17	S	USD-JPY	110.18	107.75	111.45	No surprises expected from Fed-speak after the last FOMC	
	STRUCTURAL							
2	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
3	12-Jul-17		Bullish 2M 1X1.5 EUR-USD Call Spread Spot ref: 1.1455; Strikes: 1.1492, 1.1724; Exp: 12/09/17; Cost: 0.46%				ECB transitioning to neutral, Fed wavering	
4	12-Jul-17		Bearish 2M 1X1.5 USD-CAD Put Spread Spot ref: 1.2664; Strikes: 1.2653, 1.2415; Exp: 15/09/17; Cost: 0.50%				Hawkish BOC being increasingly priced in	
5	20-Jul-17		Bullish 2M 1X1.5 AUD-USD Call Spread Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65%				More positive than expected RBA minutes, supportive data, weak USD	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	17-Jul-17	20-Jul-17	B	GBP-USD	1.3077	1.2935	BOE rhetoric and vulnerable USD	-1.11
2	28-Jun-17	21-Jul-17	B	USD-JPY	112.31	111.05	Yield differential argument supportive of the USD-JPY	-1.04
3	13-Jul-17	03-Aug-17	B	AUD-USD	0.7708	0.7935	Vulnerable USD, improving risk appetite, supportive China data	+2.89
4	05-Jun-17	03-Aug-17		2M USD-SGD Put Spot ref: 1.3796; Strikes 1.3639; Exp: 03/08/17; Cost: 0.24%			Increasingly endemic USD weakness, +ve risk appetite	+0.01
5	01-Aug-17	04-Aug-17	B	GBP-USD	1.3207	1.3060	Expected trace of hawkishness at BOE MPC	-1.14
6	23-May-17	08-Aug-17	S	USD-CAD	1.3494	1.2667	USD skepticism, sanguine risk appetite, supported crude	+6.40
7	18-Jul-17		S	USD-SGD	1.3671	1.3611	Vulnerable USD, implicit inflow for SGD	+0.40
8	04-Jul-17		B	EUR-USD	1.1346	1.1741	Draghi's change of stance in late June may further fuel the EUR	+3.14
							Jan-Aug*** 2017 Return	+0.63
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank

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