DAILY FX OUTLOOK

Friday, November 17, 2017

FX Themes/Strategy/Trading Ideas

- Despite hawkish comments from the Fed's Kaplan, the greenback ended mixed within G10 on Thursday although firmer US yields granted partial support. On the latter, UST yields rose with the curve bear steepening from the back-end (10y yield at 2.355%). Meanwhile, the US House also approved its tax bill although the Senate version is now not expected to be completed till after Thanksgiving.

- Global equities (including EM) firmed on Thursday and aided overall risk sentiment, with the **FXSI (FX Sentiment Index)** slipping back into Risk-On territory.

- **Going ahead, the DXY is still at sub-94.00 levels and investors may increasingly find it difficult to remain bullish on the greenback in the near term pending further tax bill headlines and despite still supportive rate differential dynamics.** On the US tax overhaul front, the bill has to clear the hurdle in the Senate (where the Republicans only hold a very slim majority) before a contentious reconciliation of the two bills from both Houses.

- Markets will be pretty much left without key central bank guidance or first tier data releases. On the US front, look to October housing starts (1330 GMT) and the Kansas Fed (1600) for any data distractions.

Asian FX

- EM FX (except the European complex) by and large attempted to inch higher against the USD on Thursday and expect the Asian complex today to attempt to grind higher against the USD. As such, expect further heaviness in the **ACI (Asian Currency Index)** to slip further and head towards its year-to-date lows witnessed in September. India's local and foreign currency issuer rating to Baa2 (Outlook: stable) from Baa3 and this should bode well for the INR and local bonds.

- On the net portfolio inflow front, net inflow momentum for the KRW is moderating on a rolling 1M basis, while the TWD continues to chalk up net outflows within this metric. The INR meanwhile should continue to benefit from strengthening net inflow momentum (and the latest rating upgrade). The IDR and THB meanwhile may benefit relatively on a continued moderation of net outflow momentum

- **Bank Indonesia** left its key policy parameters unchanged on Thursday as

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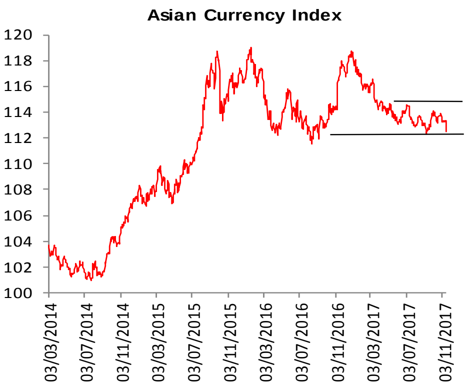
widely expected. Note governor Martowardojo mentioning currency stability with the central bank expecting the current account deficit to come in below 2.5% in 2018.

- **SGD NEER:** The SGD NEER is a touch firmer on the day at around +1.00% above its perceived parity (1.3688) with NEER-implied USD-SGD thresholds softer. Expect a near term base for USD-SGD towards the +1.10% threshold (1.3539) while the +0.80% threshold kick in at around 1.3580.

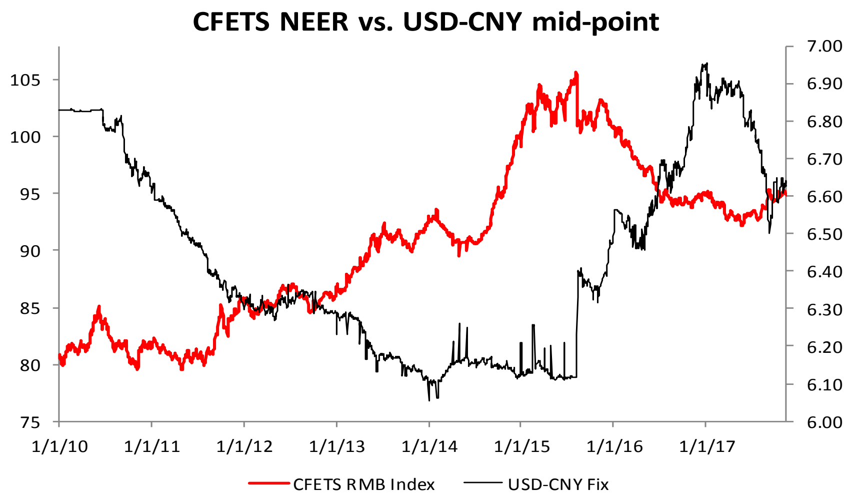
- In terms of any official discomfort, we think that this would continue be borne more out of an intent to discourage a breach of key levels on the NEER, as opposed to any volatility concerns at this juncture. Expect investors to be heavy on the pair nonetheless with a key junction at the 55-day MA (1.3562) with 1.3520 in sight. On the macro front, non-oil domestic exports surprised on the upside with a +20.9% yoy expansion.



	SGD NEER	% deviation	USD-SGD
Current	125.50	1.00	1.3551
+2.00%	126.74		1.3420
Parity	124.26		1.3688
-2.00%	121.77		1.3967

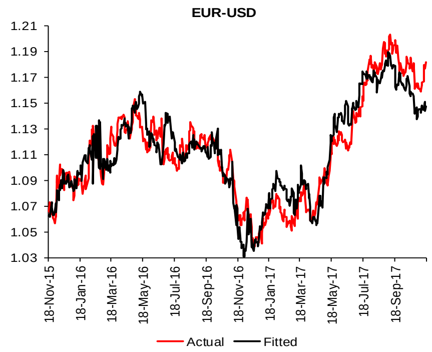
Source: OCBC Bank

- **CFETS RMB Index**: The USD-CNY mid-point fell (largely as expected) to 6.6277 on Friday from 6.6286 yesterday, weighing the CFETS RMB Index further to 94.70 from 94.84 yesterday and well away from recent highs.



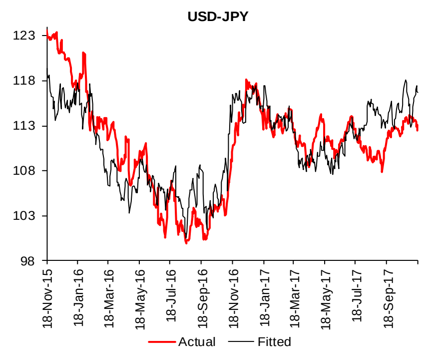
Source: OCBC Bank, Bloomberg

G7



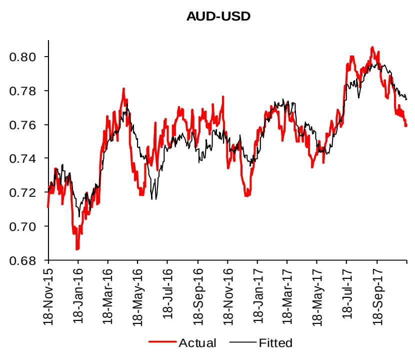
Source: OCBC Bank

- **EUR-USD** Short term implied valuations are still endeavoring to stabilize 9short-end riskies also providing lift for the pair) and this may play into the slightly shaky USD environment at this juncture. With the ECB's Nowotny also sounding sanguine on Thursday, expect an attempt to detach higher from the 55-day MA (1.1793) towards 1.1850.



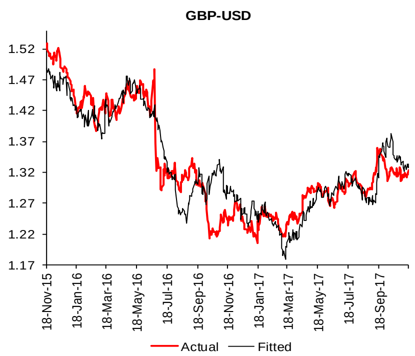
Source: OCBC Bank

- **USD-JPY** Despite improving risk appetite levels, near term dollar fragility may continue to manifest with short term implied valuations for the pair stalling on the upside (note also "heavy" short term riskies). Into the end of the week, gravity may prevail with the 55-day MA (112.32) looking to attract.



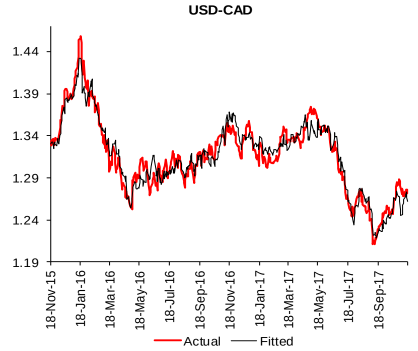
Source: OCBC Bank

- **AUD-USD** Short term implied valuations remain tilted south despite a better looking risk appetite complexion. We remain negative on the pair and failure to retake 0.7600 risks 0.7550/70 once again.



- **GBP-USD** GBP-USD managed to float higher on Thursday and ahead of a meeting between the European Commission's Tusk and PM May on Friday. Meanwhile, short term implied valuations are attempting to base out and the pair may continue to bump its head against its 55-day MA (1.3240) while 1.3170 may cushion on initial dips

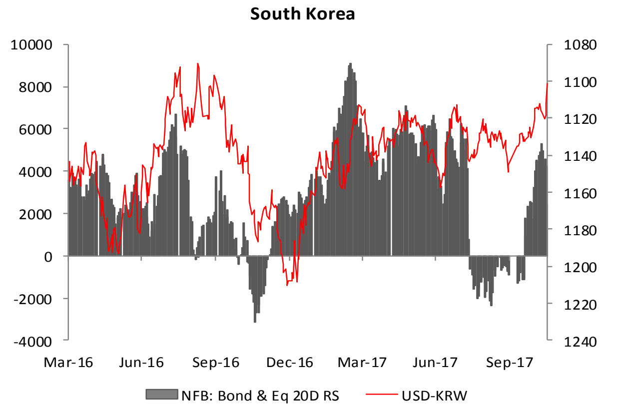
Source: OCBC Bank

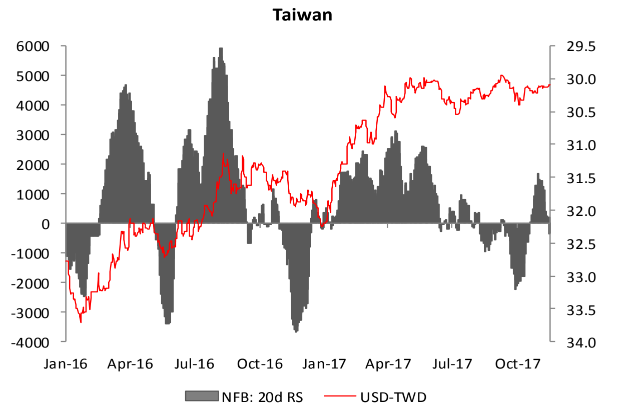


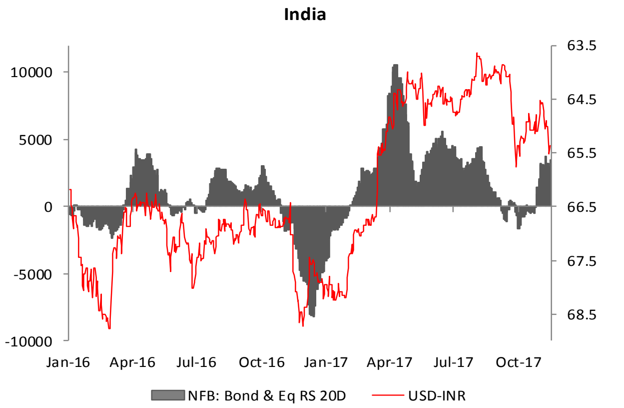
Source: OCBC Bank

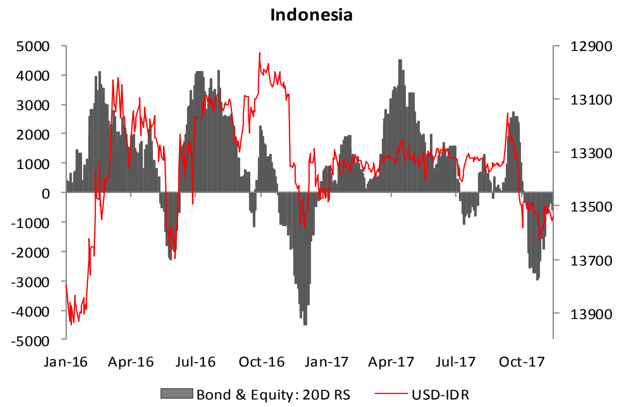
- **USD-CAD** USD-CAD sagged partially on the back of an upside surprise in September manufacturing sales (+0.50% mom). Look to October CPI numbers today (1330 GMT) for further domestic cues. Tone for the pair in the interim may remain mixed with short term implied valuations losing enthusiasm for the upside in recent sessions. Expect a 1.2600-1.2800 range to book-end the pair in the interim.

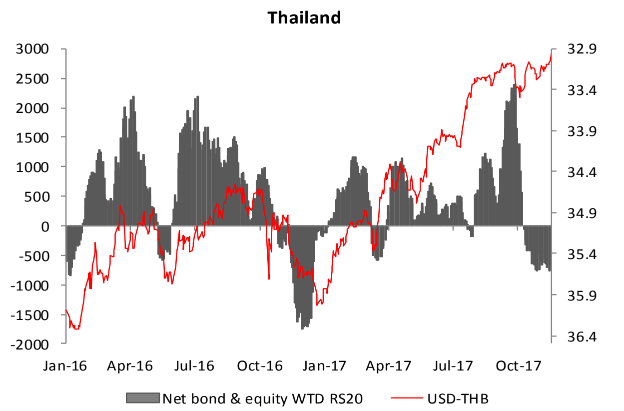
USD-Asia VS. Net Capital Flows

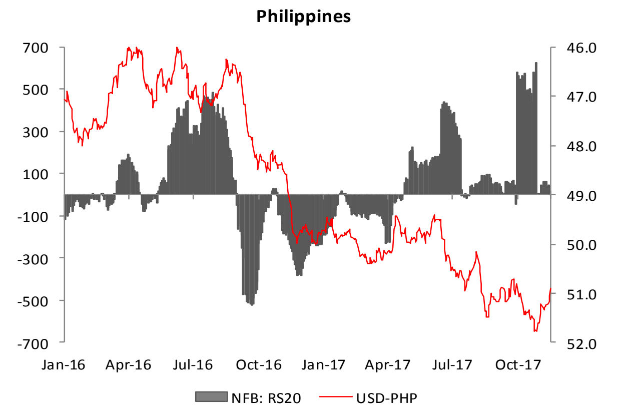


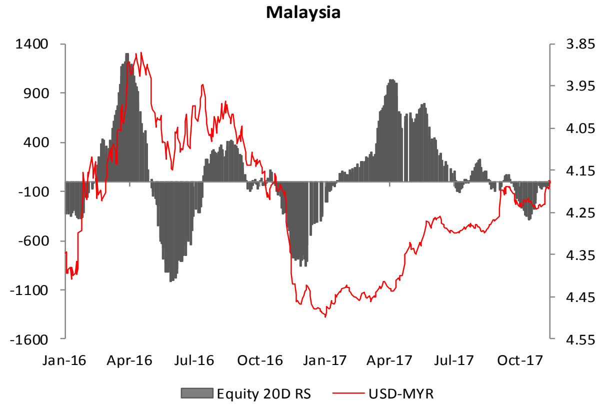




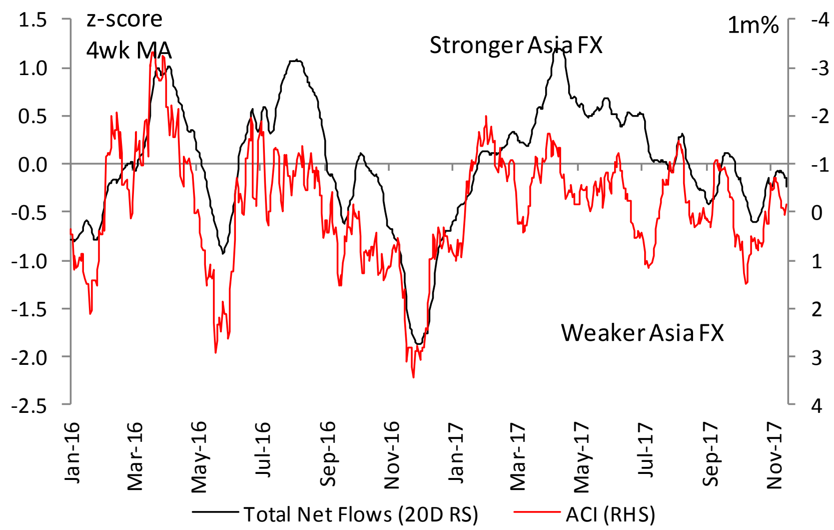




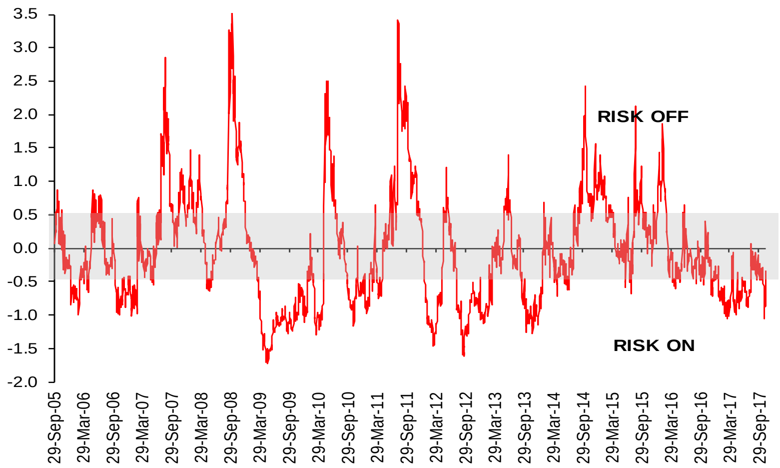




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXEX	CNH	EUR
DXY	**1**	-0.059	0.222	**0.688**	0.472	**0.647**	**0.714**	**0.628**	-0.429	**-0.77**	0.245	**-0.973**
CHF	**0.93**	0.085	0.142	**0.663**	**0.512**	**0.655**	**0.746**	**0.642**	-0.247	**-0.702**	0.262	**-0.86**
JPY	**0.714**	0.26	0.054	0.409	0.259	0.329	**1**	0.237	-0.362	**-0.666**	0.179	**-0.69**
CAD	**0.685**	0.312	0.171	0.246	0.1	0.308	**0.554**	0.323	0.088	-0.497	0.219	**-0.532**
SGD	**0.644**	0.393	0.481	0.184	-0.106	0.111	**0.759**	0.025	-0.339	**-0.502**	0.445	**-0.651**
MYR	0.346	0.094	0.064	-0.122	-0.424	-0.337	**0.57**	-0.386	**-0.72**	**-0.669**	-0.174	-0.422
CNH	0.245	**0.511**	**0.851**	0.136	0.186	0.366	0.179	0.343	0.367	0.226	**1**	-0.266
CNY	0.222	0.356	**1**	0.076	-0.012	0.214	0.054	0.216	0.111	0.051	**0.851**	-0.241
IDR	0.209	**0.629**	0.2	-0.275	-0.434	-0.255	0.164	-0.243	0.19	-0.09	0.153	-0.11
THB	0.198	0.238	0.312	-0.217	**-0.512**	-0.336	0.369	-0.346	**-0.535**	-0.424	0.058	-0.326
PHP	0.016	**0.508**	0.266	**-0.509**	**-0.691**	**-0.532**	0.24	**-0.602**	-0.28	-0.21	0.04	-0.031
USGG10	-0.059	**1**	0.356	-0.384	-0.435	-0.336	0.26	-0.371	0.344	0.232	**0.511**	0.1
CCN12M	-0.162	0.033	0.369	-0.14	0.113	0.124	-0.195	0.103	0.115	0.334	0.44	0.021
TWD	-0.287	**0.511**	0.263	-0.49	**-0.722**	**-0.606**	0.039	**-0.676**	-0.111	0.146	0.098	0.275
GBP	-0.299	0.227	-0.01	-0.4	-0.261	-0.303	-0.264	-0.279	0.209	0.091	-0.069	0.289
KRW	-0.437	0.308	0.139	**-0.642**	**-0.735**	**-0.71**	-0.002	**-0.675**	-0.149	0.234	0.016	0.185
NZD	-0.465	-0.39	-0.261	-0.191	-0.022	-0.265	-0.331	-0.286	-0.334	0.195	-0.338	0.25
INR	**-0.512**	0.184	0.322	-0.036	0.139	0.082	**-0.566**	0.133	**0.684**	**0.838**	**0.509**	**0.519**
AUD	**-0.555**	-0.072	-0.289	-0.485	**-0.527**	**-0.674**	-0.18	**-0.714**	-0.366	0.124	-0.417	0.35
EUR	**-0.973**	0.1	-0.241	**-0.691**	-0.498	**-0.65**	**-0.69**	**-0.591**	**0.505**	**0.779**	-0.266	**1**

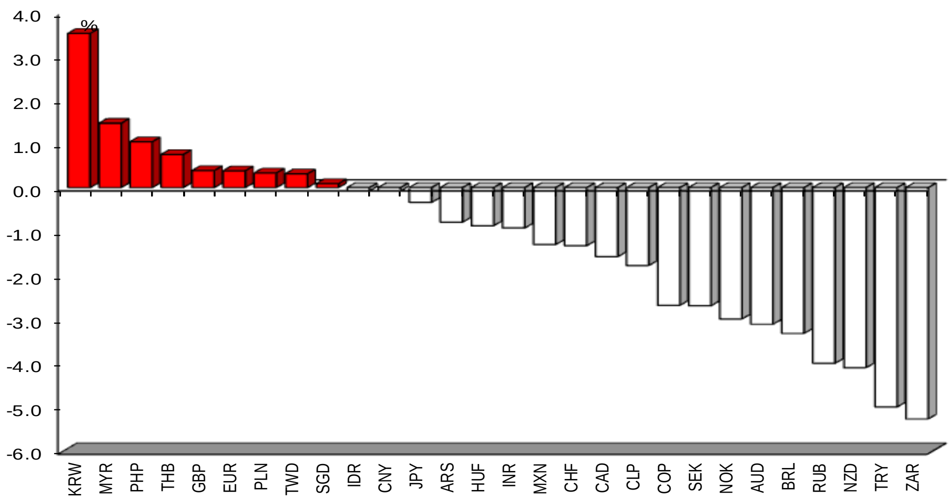
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1774	1.1800	1.1812	1.1840	1.1880
GBP-USD	1.3051	1.3200	1.3240	1.3252	1.3284
AUD-USD	0.7571	0.7600	0.7601	0.7694	0.7700
NZD-USD	0.6818	0.6823	0.6878	0.6900	0.6967
USD-CAD	1.2627	1.2700	1.2719	1.2800	1.2890
USD-JPY	111.74	112.00	112.57	112.65	112.76
USD-SGD	1.3491	1.3500	1.3540	1.3545	1.3562
EUR-SGD	1.5900	1.5970	1.5993	1.6000	1.6075
JPY-SGD	1.1918	1.2000	1.2028	1.2035	1.2040
GBP-SGD	1.7762	1.7900	1.7926	1.7978	1.8000
AUD-SGD	1.0264	1.0274	1.0292	1.0300	1.0575
Gold	1268.24	1269.32	1282.80	1287.31	1289.83
Silver	17.08	17.10	17.11	17.20	17.25
Crude	55.00	55.30	55.30	57.92	58.39

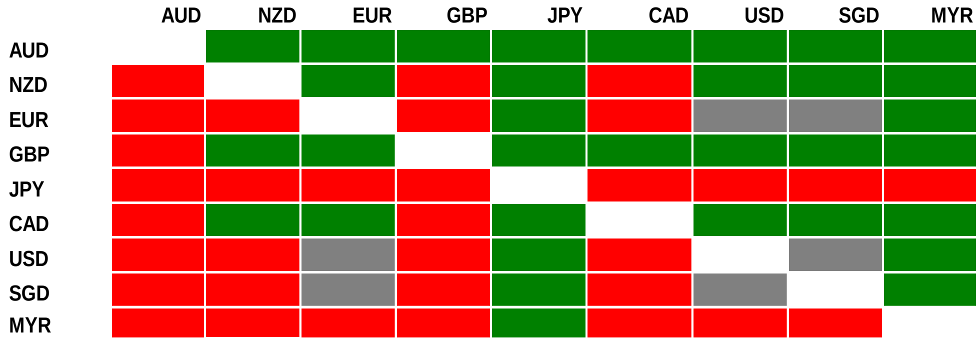
Source: OCBC Bank

FX performance: 1-month change agst USD



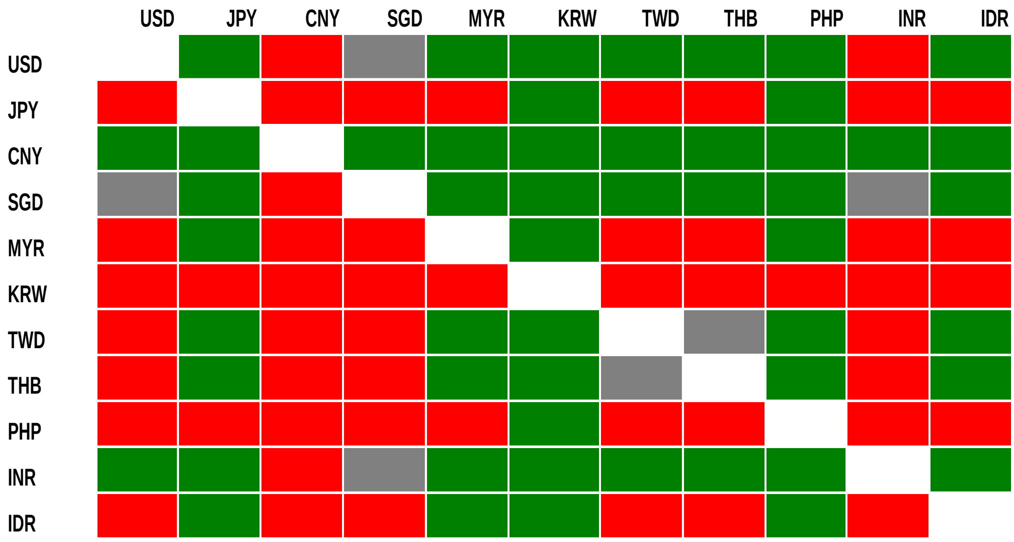
Source: Bloomberg

G10 FX Heat Map



Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

FX Trade Ideas

	Inception	Close	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	P/L (%)*
	TACTICAL								
1	28-Sep-17		B	USD-CAD	1.2500	1.3095	1.2640	Reality check from the BOC's Poloz even as the USD garners renewed interest	
2	24-Oct-17		S	EUR-USD	1.1763	1.1535	1.1875	Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow	
3	24-Oct-17		B	USD-SGD	1.3616	1.3765	1.3540	Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in	
4	07-Nov-17		S	AUD-USD	0.7671	0.7510	0.7755	RBA on hold, no inflation or rate hike urgency	
5	07-Nov-17		S	GBP-USD	1.3142	1.2835	1.3300	Potential negative headline shock from upcoming BOE appearances post the dovish rate hike	
	STRUCTURAL								
6	09-May-17		B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
7	07-Nov-17			Bullish 2M 1X2 USD-JPY Call Spread Spot ref: 114.15; Strikes: 113.78, 118.31; Exp: 04/01/18; Cost: 0.90%				Rate differential complex supportive of the USD, BOJ static	
	RECENTLY CLOSED TRADE IDEAS								
	Inception	**Close**	**B/S**	**Currency**	**Spot**		**Close**	**Rationale**	**P/L (%)***
1	28-Sep-17	11-Oct-17	S	EUR-USD	1.1734		1.1860	Political overhang from Germany contrasting with FOMC, Yellen	-0.99
2	09-Oct-17	12-Oct-17	S	GBP-USD	1.3116		1.3256	Brexit concerns plus additional leadership threats to PM May's position	-1.05
3	04-Oct-17	12-Oct-17	B	USD-SGD	1.3602		1.3525	Potential USD resilience- Fed, geopolitical risks, static MAS, decaying capital inflows in Asia	-0.56
4	22-Aug-17	20-Oct-17		Bearish 2M 1X1.5 USD-JPY Put Spread Spot ref: 109.31; Strikes: 109.00, 106.04; Exp: 20/10/17; Cost: 0.57%				Underwhelming data feed, gradualist Fed, potential negative US political baggage	-0.56**
5	29-Aug-17	27-Oct-17		Bearish 2M 1X1.5 USD-SGD Put Spread Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31%				Vunerable USD, prevailing positivity towards carry, EM/Asia	-0.31**
6	28-Sep-17	02-Nov-17	S	AUD-USD	0.7816		0.7720	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	+1.20
7	21-Sep-17	15-Nov-17	B	USD-JPY	112.58		113.13	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	+0.73
								Jan-Nov*** 2017 Return	-9.97
								2016 Return	+6.91

* realized **of notional ***month-to-date

Source: OCBC Bank

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