

Tuesday, July 18, 2017

**FX Themes/Strategy/Trading Ideas – Stops triggered**

- Markets traded consolidative on Monday with the dollar retreating slightly against the EUR ahead of Thursday's ECB meeting but managing to bounce slightly against the cyclicals (despite supportive China 2Q GDP numbers and June data releases) and the JPY by late NY. USD-CAD was also partially buoyed by slipping crude while early Tuesday, the NZD-USD plunged below 0.7300 after 2Q CPI came in at a softer than expected +1.7% yoy.
- Today, look to **RBA meeting minutes** at 0130 GMT and any perceptible positive shift in rhetoric may underpin the AUD further. Meanwhile, in addition to potential chatter from Brexit negotiations, investors remain primed for a slightly hawkish BOE and **June UK CPI/RPI** numbers (0830 GMT) are also likely to be closely watched. This will be followed by the German July ZEW, US July NAHB Housing Market Index and May US TIC data later in the global day.
- Going ahead, despite some scope for consolidation (especially against the cyclicals), the **DX** may continue to contemplate a break of the 95.00 level in the interim with implied odds of another Fed rate hike this year now less than even.
- With markets now plotting for another BOC rate hike in October, we see potential for sustained heaviness in the **USD-CAD** as the broad dollar continues to muddle along. In addition, leveraged CFTC CAD shorts are still a distance away from being completely quashed despite being cut drastically in the last three weeks. As such, we undertake a 2M 1X1.5 USD-CAD put spread (spot ref: 1.2664; strikes: 1.2653, 1.2415) costing approximately 0.50% of notional.
- Despite the negative overhang from Brexit talks this week in Brussels, recent BOE hawkish rhetoric and the anemic dollar may continue to float the **GBP-USD** in the near term after the pair broke clean above 1.3000 last Friday (as the EUR-GBP continued to slide). On the data front, any positive surprises from the CPI readings on Tuesday may further elevate the pair. From a GBP-USD spot ref of 1.3077 on Monday, we target 1.3355 and place a stop at 1.2935.

Treasury Research &  
Strategy

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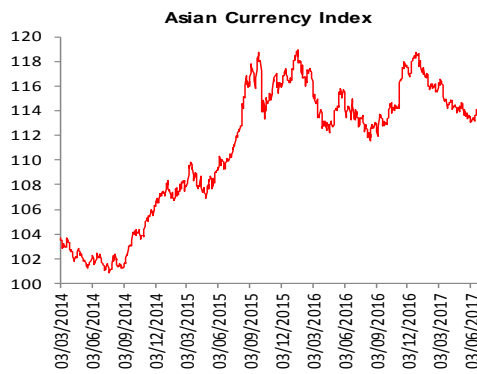
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**Asian FX**

- **EM FX** also clocked a mixed performance against the greenback overnight and with the equity landscape still sanguine, USD-Asia in aggregate may be expected to remain slightly top heavy (note additional anchor provided by

the **renminbi** complex) to mixed into Tuesday with regional central banks remaining on hand to temper undue appreciation of their domestic units.

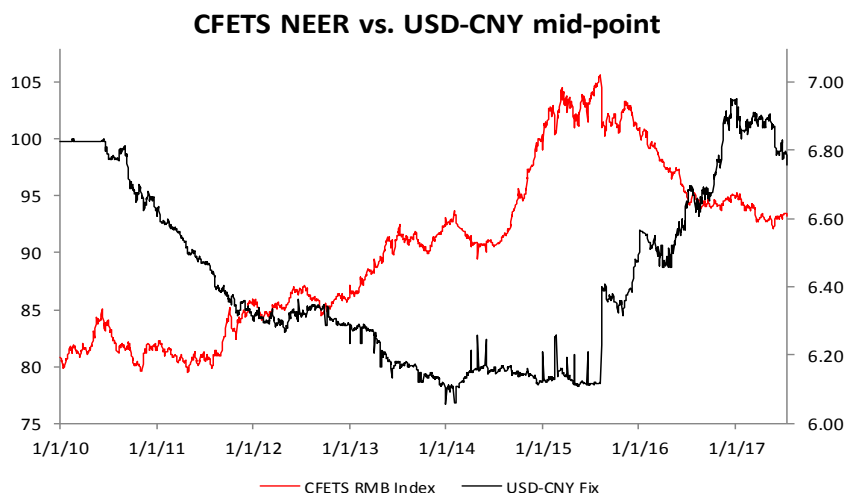
- **Net portfolio inflows** into Asia meanwhile are also mixed with an implied bounce for South Korea and Taiwan, while the rest of the region may remain slightly hampered on weak inflow (or even slight outflow) impetus – indicating that universal USD-Asia downside at this juncture remains less than unequivocal. Overall, the **ACI (Asian Currency Index)** is still seen top heavy today despite the **FXSI (FX Sentiment Index)** inching slightly higher within Risk-On territory on Monday.
- **SGD NEER:** The SGD NEER clocked a high of +1.06% overnight but has since consolidated lower to around +0.93% above its perceived parity (1.3822). NEER-implied USD-SGD thresholds are largely unchanged on the day and the floor for the pair may continue to be triangulated by the +0.80% threshold (1.3713) and +1.00% (1.3685).



	SGD NEER	% deviation	USD-SGD
Current	125.39	0.91	1.3696
+2.00%	126.74		1.3551
Parity	124.26		1.3822
-2.00%	121.77		1.4104

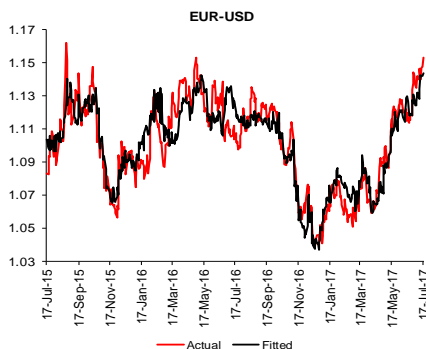
Source: OCBC Bank

- **CFETS RMB Index:** This morning, the USD-CNY mid-point came in slightly below expected at 6.7611 from 6.7562 yesterday. Meanwhile, the CFETS RMB Index inched lower to 93.12 from 93.16 on Monday.



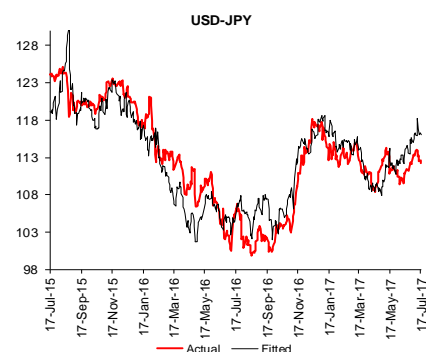
Source: OCBC Bank, Bloomberg

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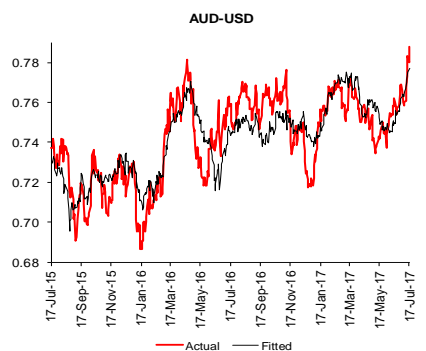
Source: OCBC Bank

- EUR-USD** June EX CPI numbers were in line with prior expectations (core at +1.1% yoy) but interest to collect EUR-USD on dip remained prevalent. This morning, cited stops on the upside were triggered and we note that short term implied valuations continue to reach higher. Upside targets include: 1.1616 (03 May 2016), 1.1714 (24 May 2015), and 1.1806 (200-week MA).



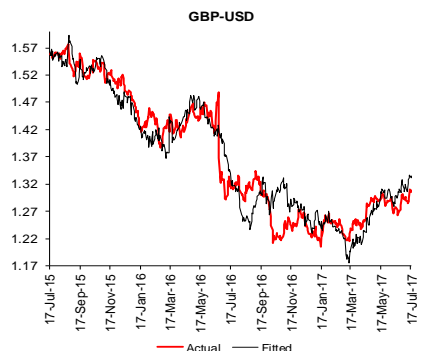
Source: OCBC Bank

- USD-JPY** Ahead of the BOJ later this week, the USD-JPY may continue to manifest broad USD vulnerability with short term implied valuations looking toppish. Expect some tendency to gravitate towards the 55-day MA (111.96) and the 200-day MA (111.85).



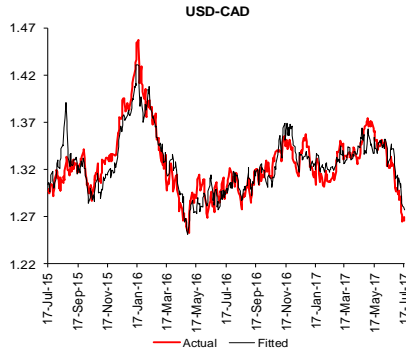
Source: OCBC Bank

- AUD-USD** Profit taking activity was cited for the pullback in the AUD (and cyclicals on Monday) but with the RBA meeting minutes this morning sufficiently sanguine (but still not out rightly hawkish), the AUD-USD may attempt to continue to search for higher ground in tandem with its short term implied valuations. Expect some cause for pause towards 0.7900 after the crack above 0.7850 on Tuesday morning.



Source: OCBC Bank

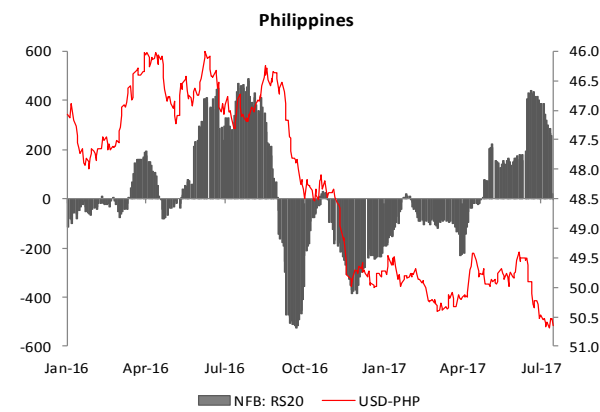
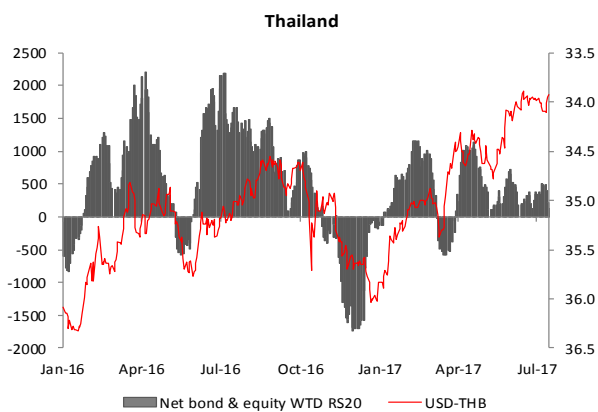
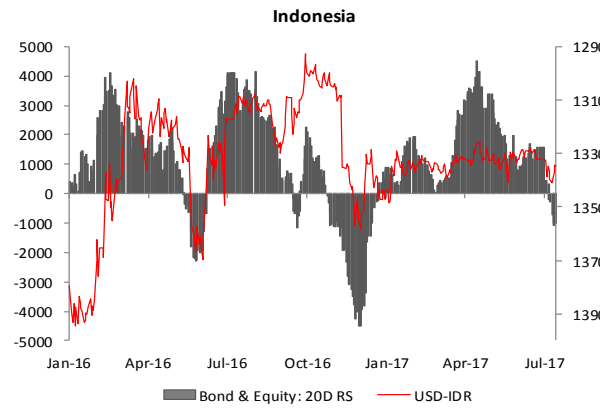
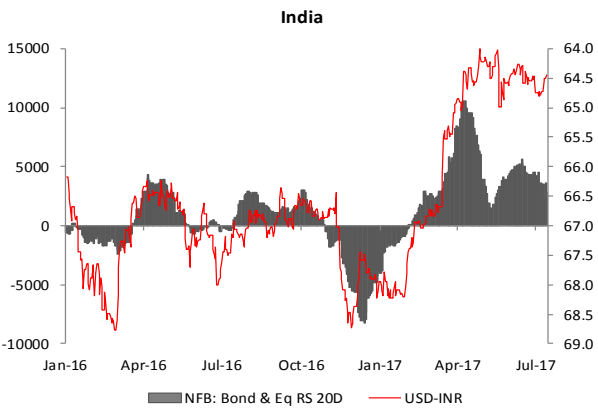
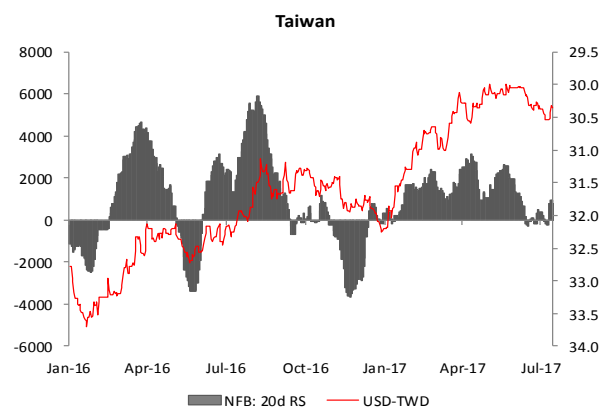
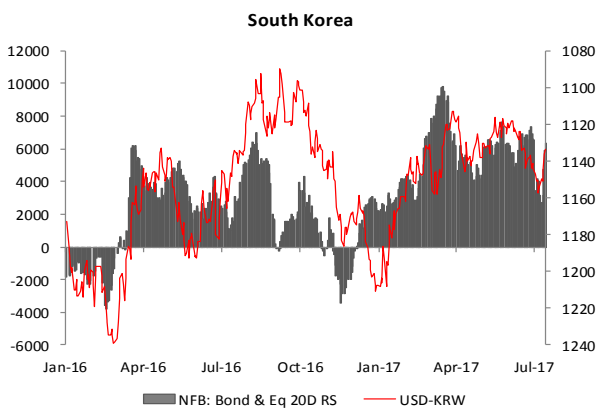
- GBP-USD** Short term implied valuations remain underpinned for the GBP-USD ahead of the UK CPI readings later today, with potential headline risks also from ongoing Brexit talks. In the interim, the pair may remain on the weak dollar gravy train and base build off the 1.3000 floor.

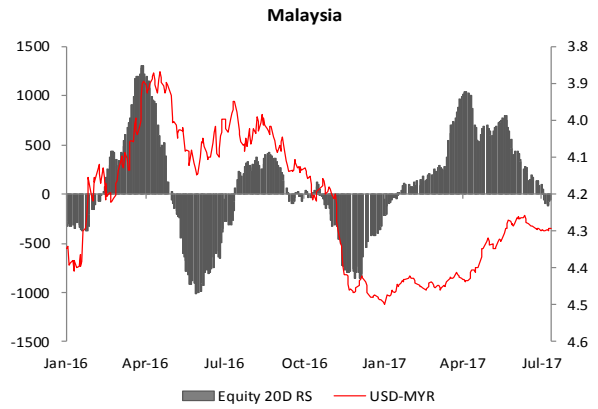


- USD-CAD** Short term implied valuations remain on a slippery slope for the USD-CAD and if investor appetite towards the cyclicals are not impinged significantly, the 1.2600 floor may remain under threat in the current environment.

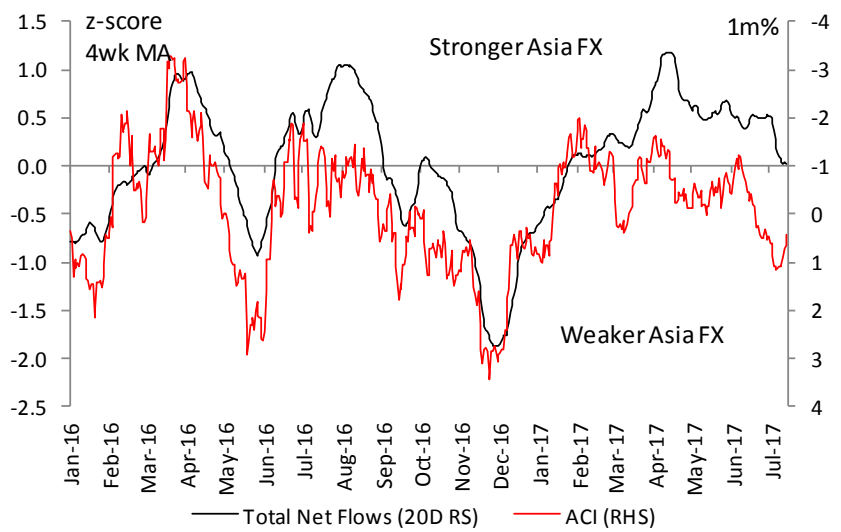
Source: OCBC Bank

**USD-Asia VS. Net Capital Flows**

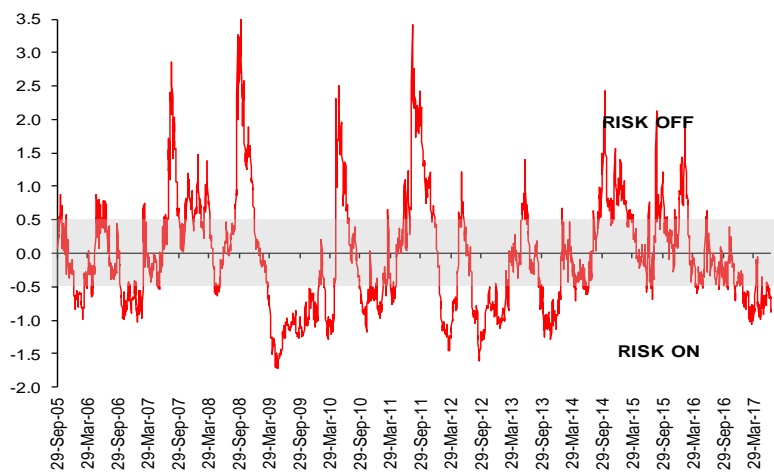




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	-0.785	0.934	0.023	-0.513	-0.845	-0.616	-0.837	-0.068	-0.725	0.927	-0.991
CNY	0.934	-0.748	1	-0.161	-0.579	-0.877	-0.549	-0.872	0.015	-0.576	0.981	-0.894
CNH	0.927	-0.719	0.981	-0.177	-0.598	-0.882	-0.479	-0.867	0.019	-0.572	1	-0.89
CAD	0.909	-0.804	0.894	-0.264	-0.616	-0.855	-0.642	-0.812	0.149	-0.688	0.909	-0.878
SGD	0.894	-0.601	0.94	-0.355	-0.741	-0.83	-0.358	-0.822	0.234	-0.453	0.942	-0.835
CCN12M	0.868	-0.643	0.805	-0.331	-0.761	-0.765	-0.5	-0.751	0.277	-0.533	0.827	-0.826
CHF	0.826	-0.577	0.71	0.425	-0.145	-0.565	-0.458	-0.638	-0.36	-0.593	0.683	-0.85
THB	0.361	0.068	0.319	-0.68	-0.687	-0.179	0.294	-0.31	0.576	0.427	0.466	-0.276
KRW	-0.025	0.471	0.003	-0.733	-0.629	0.147	0.599	-0.033	0.721	0.702	0.141	0.127
INR	-0.031	0.341	0.084	-0.682	-0.541	0.16	0.37	0.21	0.715	0.394	0.1	0.111
TWD	-0.291	0.663	-0.167	-0.43	-0.357	0.3	0.714	0.096	0.516	0.789	-0.171	0.373
IDR	-0.446	0.821	-0.34	-0.622	-0.207	0.441	0.91	0.273	0.477	0.964	-0.171	0.548
MYR	-0.564	0.777	-0.432	-0.556	-0.14	0.523	0.811	0.477	0.439	0.818	-0.353	0.642
NZD	-0.588	0.337	-0.631	0.226	0.488	0.511	0.162	0.61	-0.277	0.191	-0.583	0.52
JPY	-0.616	0.923	-0.549	-0.279	0.045	0.708	1	0.568	0.328	0.921	-0.479	0.683
USGG10	-0.785	1	-0.748	-0.185	0.168	0.866	0.923	0.761	0.332	0.926	-0.719	0.819
AUD	-0.8	0.45	-0.858	0.521	0.85	0.76	0.205	0.787	-0.413	0.255	-0.881	0.727
PHP	-0.842	0.805	-0.696	-0.168	0.289	0.678	0.711	0.663	0.164	0.772	-0.741	0.865
GBP	-0.945	0.737	-0.929	0.03	0.477	0.86	0.511	0.883	0.073	0.616	-0.906	0.917
EUR	-0.991	0.819	-0.894	-0.132	0.427	0.83	0.683	0.812	0.164	0.789	-0.89	1

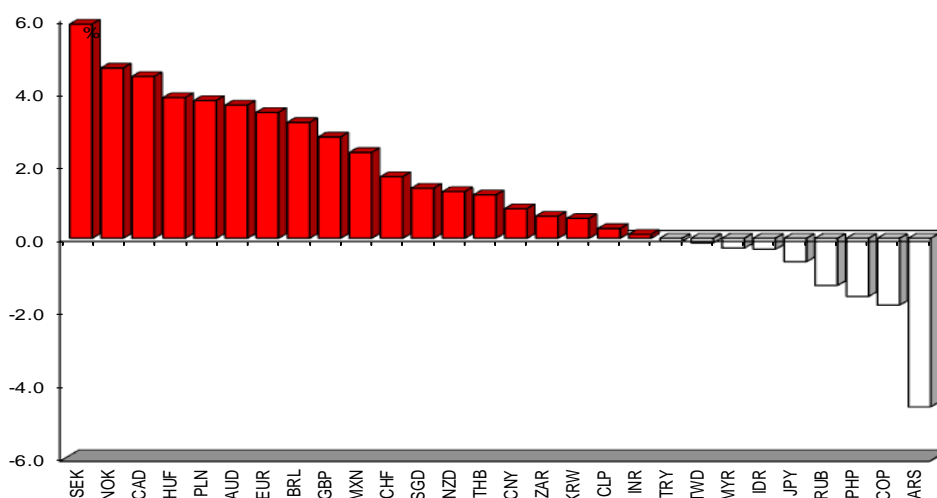
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1240	1.1500	1.1531	1.1538	1.1578
GBP-USD	1.2877	1.3000	1.3088	1.3100	1.3117
AUD-USD	0.7800	0.7830	0.7870	0.7877	0.7900
NZD-USD	0.7219	0.7300	0.7322	0.7347	0.7369
USD-CAD	1.2600	1.2628	1.2659	1.2700	1.3263
USD-JPY	111.83	112.00	112.25	113.00	114.35
USD-SGD	1.3650	1.3669	1.3679	1.3700	1.3841
EUR-SGD	1.5555	1.5700	1.5773	1.5800	1.5861
JPY-SGD	1.2096	1.2100	1.2187	1.2200	1.2378
GBP-SGD	1.7822	1.7900	1.7902	1.7989	1.8000
AUD-SGD	1.0700	1.0717	1.0765	1.0773	1.0800
Gold	1204.25	1235.38	1236.80	1247.51	1261.84
Silver	15.33	16.00	16.05	16.10	16.63
Crude	42.28	46.10	46.12	46.20	46.82

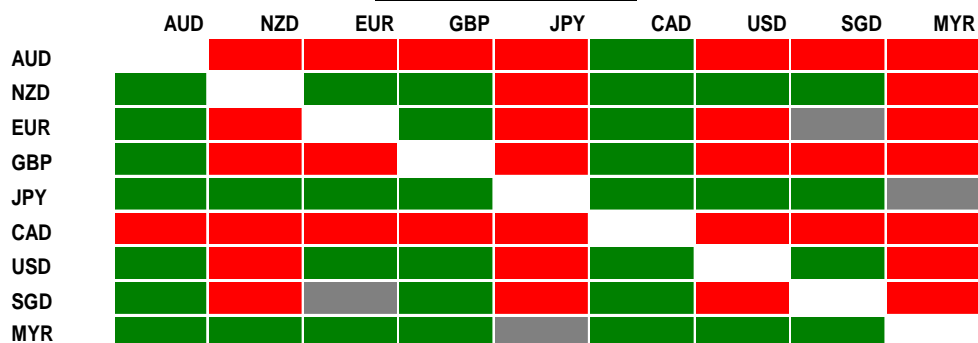
Source: OCBC Bank

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



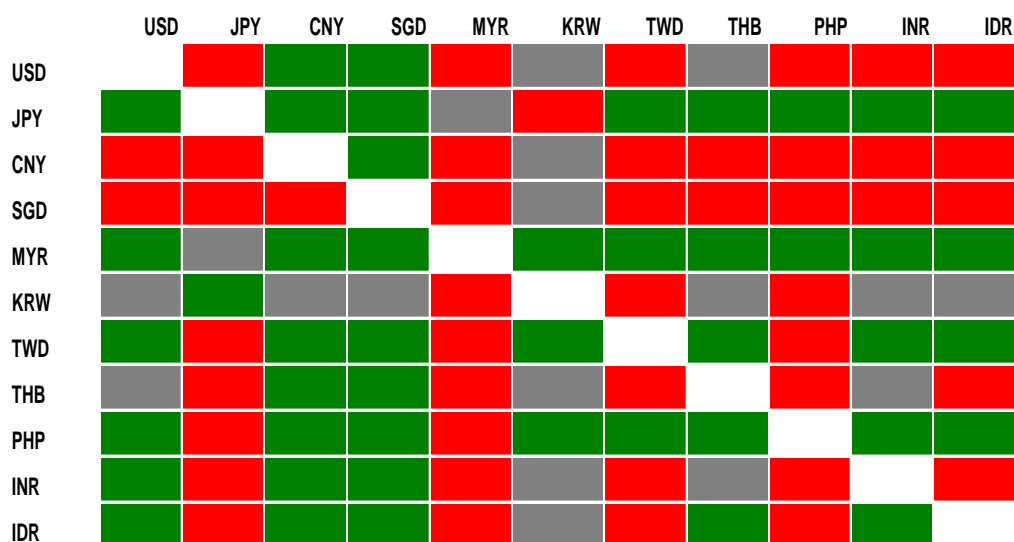
Source: Bloomberg

**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	23-May-17	S	USD-CAD	1.3494	1.2610 1.2935	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		
4	13-Jul-17	B	AUD-USD	0.7708	0.7860 0.7630	Vulnerable USD, improving risk appetite, supportive China data		
5	17-Jul-17	B	GBP-USD	1.3077	1.3355 1.2935	BOE rhetoric and vulnerable USD		
<b>STRUCTURAL</b>								
6	09-May-17	B	GBP-USD	1.2927	1.3500 1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish		
7	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		
8	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		
9	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		
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	01-Jun-17	22-Jun-17	S	USD-JPY	111.00	111.16	Weak broad dollar disposition	-0.25
2	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**	
3	12-Jun-17	28-Jun-17	S	GBP-USD	1.2760	1.2915	UK politicly concertainty/limbo	-1.13
4	16-May-17	29-Jun-17	S	AUD-USD	0.7407	0.7670	Global reflation plays to continue to wobble?	-3.46
5	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



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