

Thursday, July 20, 2017

FX Themes/Strategy/Trading Ideas

- Despite slightly firmer UST yields, the greenback closed mixed on Tuesday, firming slightly against the EUR on cited profit taking ahead of the ECB meeting while the cyclicals continued to edge higher (both against the USD as well as across the board) amid positive global equities/commodities. Elsewhere, cited cross selling pulled the USD-JPY lower by late NY.
- Today, the **ECB policy meeting** (1145 GMT) and **Draghi's** press conference (1230 GMT) will be scrutinized for any nuanced cues from the central bank's forward guidance, especially after Draghi's Sintra speech in late June. Specifically, investors may watch for any tweaks to the language regarding the readiness to further increase the asset buying program. Elsewhere, the **BOJ MPC** (Kuroda scheduled for 0630 GMT) also concludes today but no change in policy parameters is expected but forward guidance is expected to remain sufficiently accommodative.
- The US data stream meanwhile included weekly initial claims as well as the Philly Fed while UK June retail sales are also on tap. In Asia, **Bank Indonesia** is expected to remain static at 4.75%.
- With the **RBA** having joined the fray against the Fed and global sentiment sanguine, the positive cyclical narrative within G10 may continue to gain traction in the near term. Immediate risks are expected to rest with the Aussie labor market numbers this morning @ 0130 GMT. Overall, we think markets remain at a crossroads of sorts with the **DX** still likely to contemplate the **94.00** support.

Asian FX

- The dollar also found some stability overnight against EM FX overnight and USD-Asia may be slightly range bound to supported ahead of headline risks later in the global session. On the **net portfolio inflow front** in Asia, the KRW is seen relatively more supported while improvements continue to be demonstrated for the IDR and MYR. Meanwhile, the PHP is still perceived to be relatively vulnerable with the THB deemed slightly rich. Overall, expect the **ACI (Asian Currency Index)** to be slightly range bound in the interim despite the **FXSI (FX Sentiment Index)** heading lower within Risk-On territory on Wednesday.
- **SGD NEER:** With the broad dollar mixed to supported slightly, the SGD NEER is softer on the day at around +0.69% above its perceived parity (1.3778) this morning. NEER-implied USD-SGD thresholds are a touch

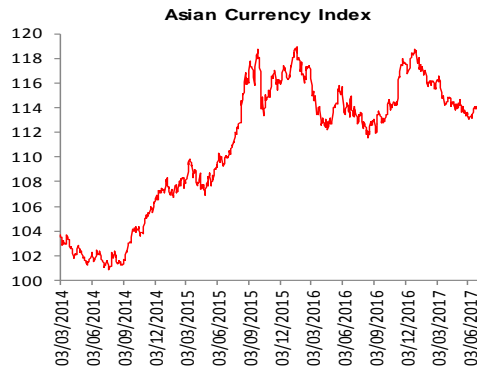
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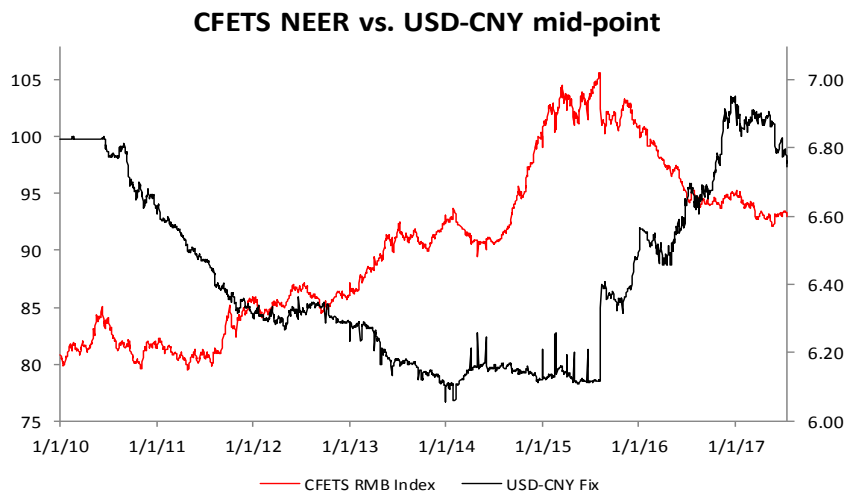
firmer with +0.50% estimated at 1.3710, +0.80% at 1.3669 and +1.00% at 1.3641. Pending event risks later today, we'd expect the NEER to bounce within +0.50% and +0.80%.



	SGD NEER	% deviation	USD-SGD
Current	125.18	0.74	1.3679
+2.00%	126.74		1.3508
Parity	124.26		1.3778
-2.00%	121.77		1.4059

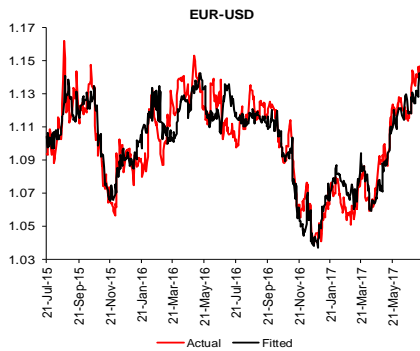
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point fell rose slightly to 6.7464 from 6.7451 on Wednesday, leaving the CFETS RMB Index lower on the day at 92.98 from 93.01 yesterday.



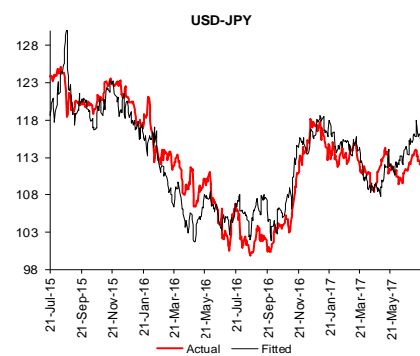
Source: OCBC Bank, Bloomberg

G7



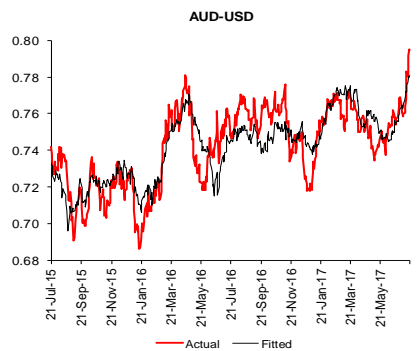
Source: OCBC Bank

- EUR-USD** The ECB meeting today may well prove to be a near term junction for the EUR-USD with investors likely to be in a wait-and-see mode in the interim. Meanwhile, short term implied valuations remain relatively underpinned and topside way points at 1.1616 (03 May 2016), 1.1714 (24 May 2015), and 1.1806 (200-week MA) still bear watching. Any “disappointment” from Draghi however risks a retracement to 1.1470.



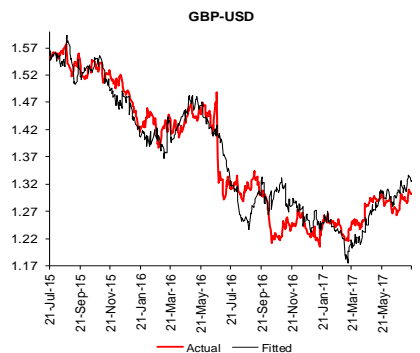
Source: OCBC Bank

- USD-JPY** Short term implied valuations for the USD-JPY continue to remain top heavy in the current environment despite dovish expectations surrounding the BOJ MPC later today. Technically, the pair continues to hover in close proximity of the converging 55-day MA (111.94), the 200-day MA (111.93) and the 100-day MA (111.75) and a sustained violation of this neighborhood may set the pair up for a further descent.



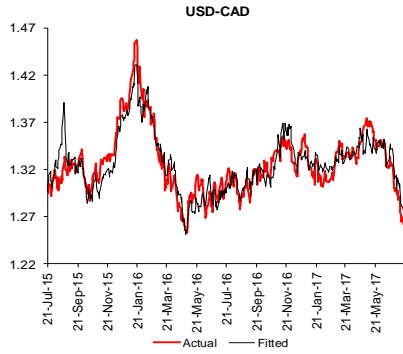
Source: OCBC Bank

- AUD-USD** Neutral to slightly better than expected Aussie labor market numbers this morning may continue to keep the AUD-USD afloat in the near term and may continue to restrain dips in the pair. Short term implied valuations meanwhile remain steady after firming post-RBA minutes. Immediate psychological ceiling rests at 0.8000 with 0.7900 a near term support.



Source: OCBC Bank

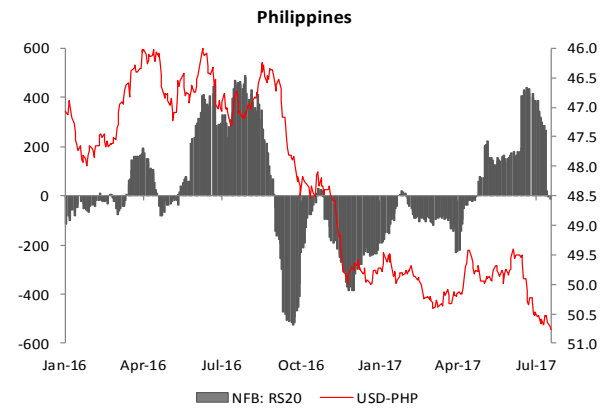
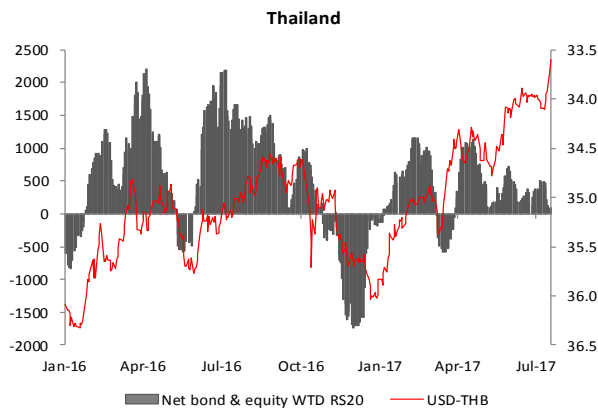
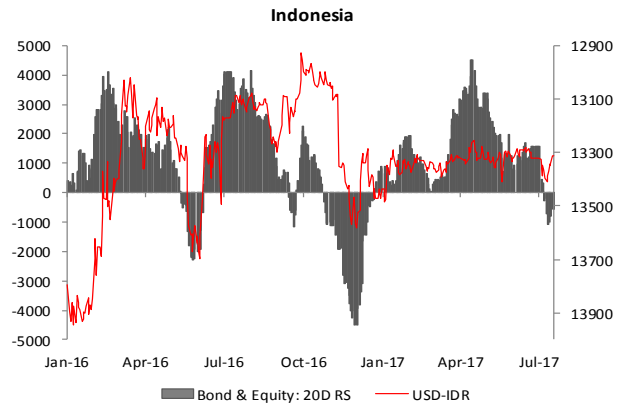
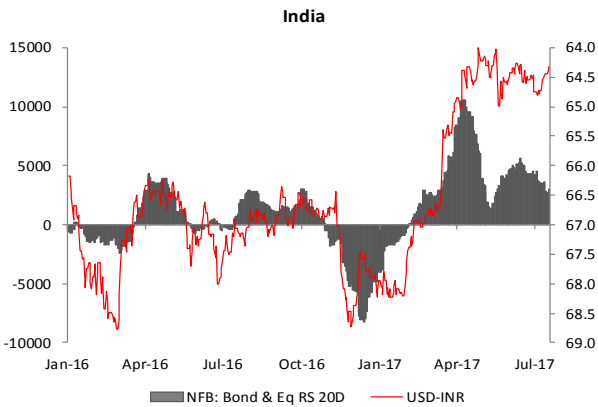
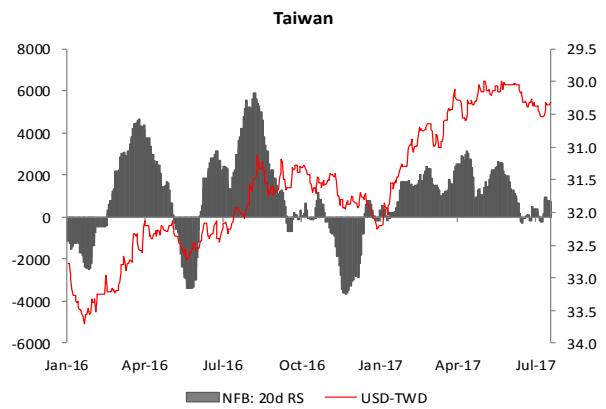
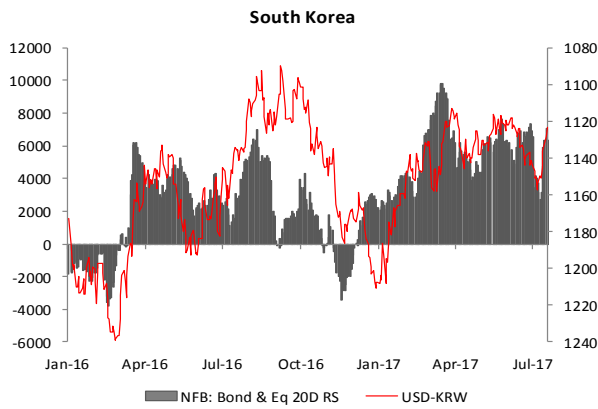
- GBP-USD** Apart from potential spillover effects from the EUR today, look also towards June retail sales numbers (0830 GMT) for domestic cues. Short term implied valuations (note dented hawkish BOE expectations) are still looking top heavy at this juncture and immediate support may be expected on approach of 1.3000 before 1.2970.

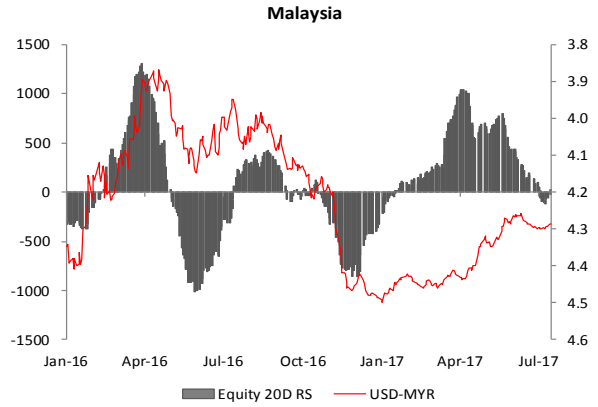


- USD-CAD** A supportive crude backdrop coupled with sanguine risk appetite levels and better than expected May manufacturing sales continued to see the USD-CAD probing the 1.2600 floor (note major support at 1.2500) again on Wednesday. To boot, note that short term implied valuations continue to search lower ahead of the Canadian June CPI data tomorrow.

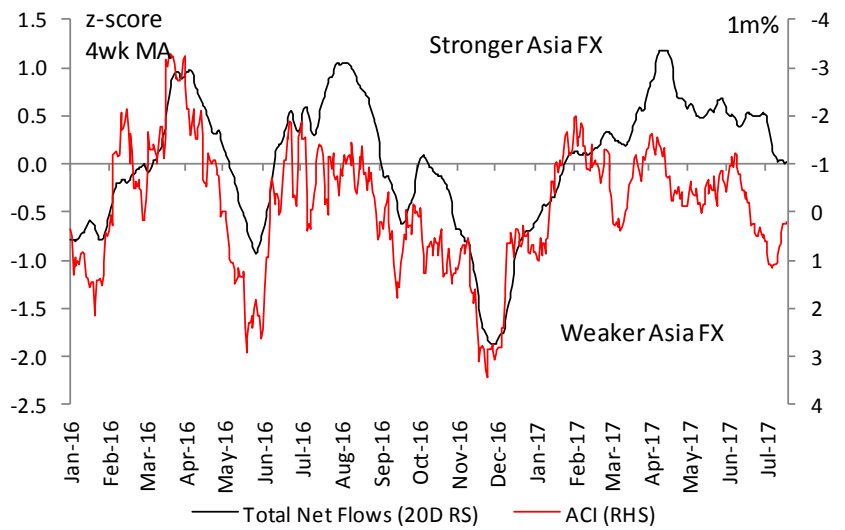
Source: OCBC Bank

USD-Asia VS. Net Capital Flows

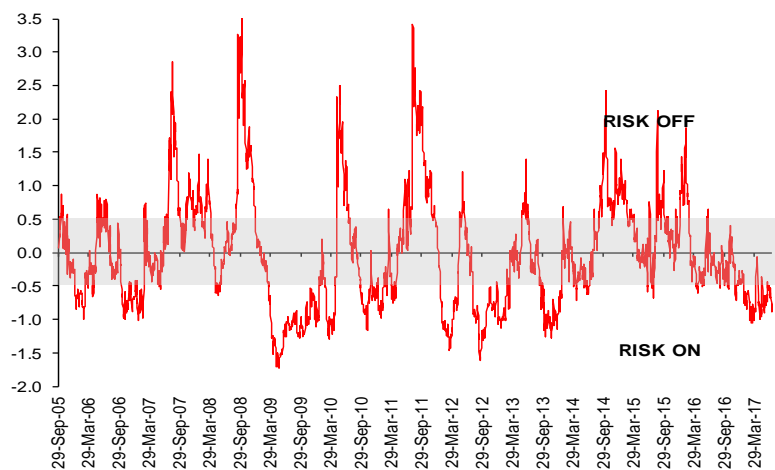




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	-0.629	0.953	-0.38	-0.665	-0.9	-0.356	-0.885	0.147	-0.443	0.944	-0.99
CNY	0.953	-0.541	1	-0.528	-0.74	-0.899	-0.267	-0.876	0.241	-0.254	0.983	-0.914
CNH	0.944	-0.553	0.983	-0.512	-0.725	-0.912	-0.227	-0.893	0.222	-0.295	1	-0.909
CAD	0.927	-0.647	0.912	-0.56	-0.728	-0.897	-0.383	-0.859	0.318	-0.427	0.924	-0.897
SGD	0.922	-0.43	0.961	-0.647	-0.833	-0.87	-0.107	-0.863	0.401	-0.168	0.957	-0.866
CCN12M	0.884	-0.405	0.885	-0.683	-0.864	-0.828	-0.15	-0.808	0.454	-0.168	0.864	-0.834
CHF	0.867	-0.414	0.8	-0.094	-0.407	-0.692	-0.167	-0.745	-0.108	-0.315	0.77	-0.872
THB	0.586	0.109	0.667	-0.812	-0.827	-0.495	0.403	-0.537	0.593	0.441	0.662	-0.496
KRW	0.358	0.387	0.445	-0.825	-0.814	-0.244	0.591	-0.35	0.741	0.663	0.473	-0.25
INR	0.341	0.285	0.454	-0.774	-0.728	-0.183	0.387	-0.105	0.757	0.433	0.45	-0.249
TWD	-0.091	0.639	0.067	-0.437	-0.445	0.122	0.708	-0.027	0.548	0.785	0.02	0.186
MYR	-0.129	0.75	0.031	-0.6	-0.43	0.23	0.826	0.185	0.547	0.824	0.086	0.238
IDR	-0.161	0.816	0.136	-0.646	-0.459	0.124	0.911	0.088	0.563	0.96	0.136	0.287
JPY	-0.356	0.903	-0.267	-0.29	-0.116	0.503	1	0.351	0.36	0.917	-0.227	0.452
USGG10	-0.629	1	-0.541	-0.115	0.092	0.738	0.903	0.638	0.311	0.901	-0.553	0.692
NZD	-0.722	0.186	-0.748	0.594	0.67	0.651	-0.124	0.744	-0.453	-0.067	-0.736	0.638
AUD	-0.833	0.222	-0.909	0.779	0.909	0.807	-0.097	0.806	-0.526	-0.054	-0.88	0.762
PHP	-0.861	0.679	-0.814	0.391	0.562	0.851	0.495	0.789	-0.116	0.439	-0.789	0.862
GBP	-0.933	0.663	-0.89	0.291	0.554	0.873	0.363	0.893	-0.072	0.448	-0.889	0.918
EUR	-0.99	0.692	-0.914	0.267	0.579	0.887	0.452	0.864	-0.042	0.539	-0.909	1

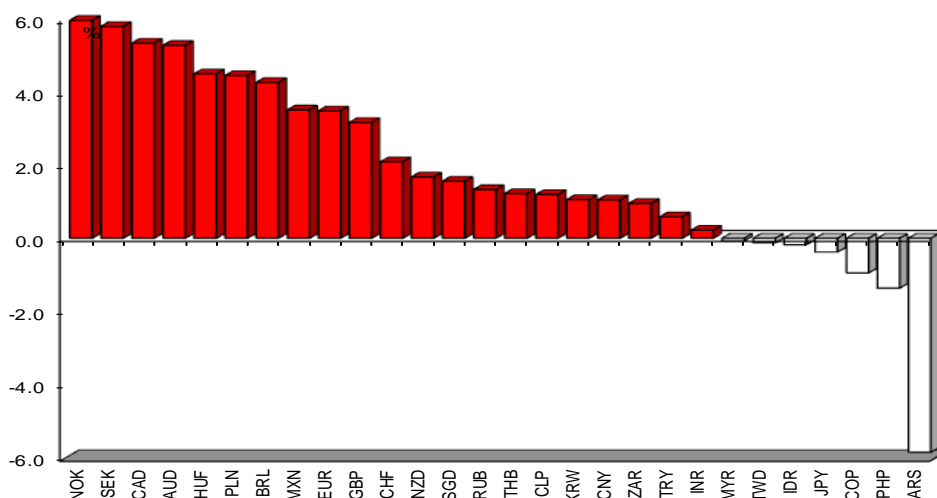
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1266	1.1500	1.1522	1.1583	1.1587
GBP-USD	1.2881	1.3000	1.3027	1.3100	1.3126
AUD-USD	0.7900	0.7946	0.7975	0.7989	0.8000
NZD-USD	0.7226	0.7300	0.7361	0.7367	0.7388
USD-CAD	1.2500	1.2578	1.2599	1.2600	1.3220
USD-JPY	111.19	111.74	111.88	111.90	112.00
USD-SGD	1.3642	1.3654	1.3680	1.3700	1.3825
EUR-SGD	1.5573	1.5700	1.5763	1.5800	1.5861
JPY-SGD	1.2096	1.2200	1.2228	1.2300	1.2373
GBP-SGD	1.7800	1.7806	1.7821	1.7900	1.7981
AUD-SGD	1.0855	1.0900	1.0909	1.0927	1.1000
Gold	1204.34	1234.63	1239.70	1248.34	1261.77
Silver	15.34	16.20	16.25	16.30	16.63
Crude	46.83	47.00	47.08	47.10	47.32

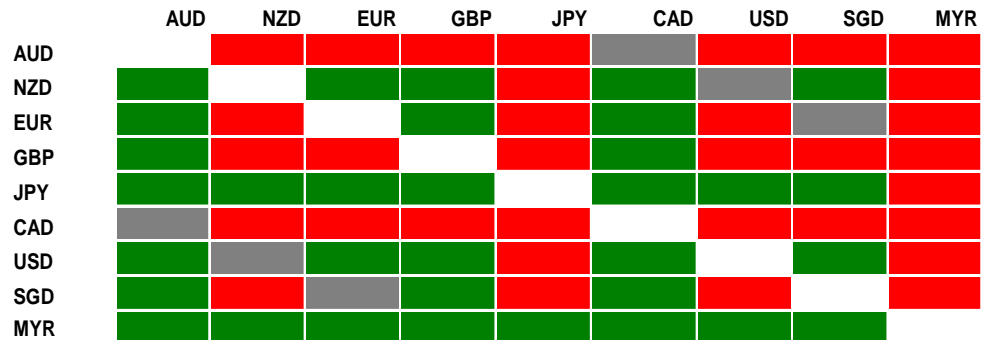
Source: OCBC Bank

FX performance: 1-month change agst USD



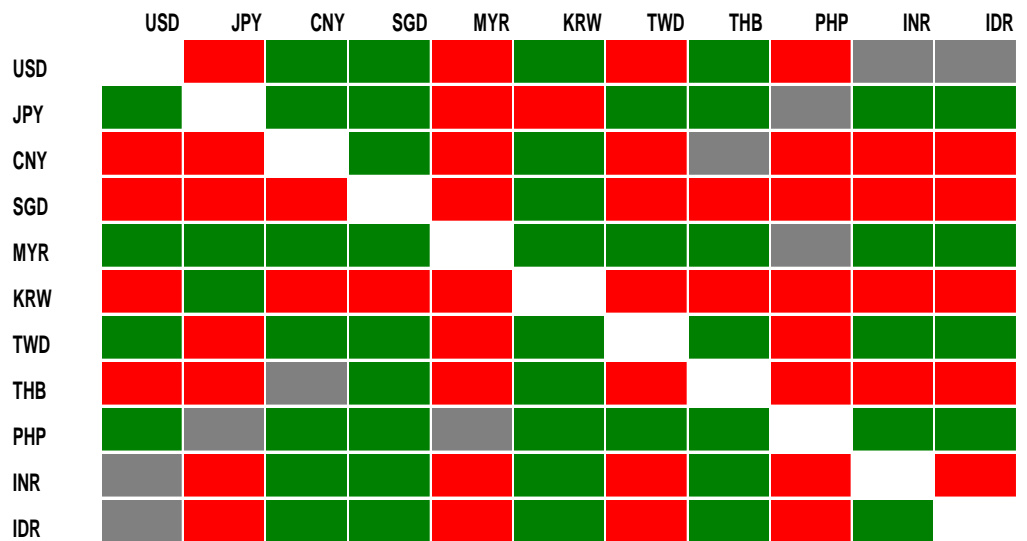
Source: Bloomberg

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		
TACTICAL								
1	23-May-17	S	USD-CAD	1.3494	1.2400	1.2720	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	0.8015	0.7780	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	
6	18-Jul-17	S	USD-SGD	1.3671	1.3535	1.3740	Vulnerable USD, implicit inflow for SGD	
STRUCTURAL								
7	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
8	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		
9	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		
10	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		
RECENTLY CLOSED TRADE IDEAS								
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 polticy 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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