

Tuesday, June 20, 2017

FX Themes/Strategy/Trading Ideas

- Confident remarks from the Fed's Dudley (subsequent comments from Evans early in Asia were more measured) and firmer UST yields lifted the USD against its G10 peers with the EUR-USD losing its hold on 1.1200 and slipping towards the 1.1150 vicinity despite positive the French election outcome. In addition, with positive EZ/US equities as a backdrop, the JPY also lost ground against the USD (USD-JPY>111.50) and across G10 space. Elsewhere, even the AUD bowed slightly in the face of the USD pickup with the AUD-USD drifting back below 0.7600.
- Meanwhile, EM FX also trailed the dollar in tandem on Monday and this is likely to be mirrored in Asia today. On the net portfolio inflow front, the KRW, INR, IDR, and PHP may continue to derive background support at the margins, while the TWD and THB may remain relatively more vulnerable. **However, going into today's session, expect USD-Asia to take a step higher.**
- Fed speak today is expected from Fischer (0715 GMT), Rosengren (1215 GMT), and Kaplan (1900 GMT) and given the current market demeanor, supportive comments may continue to encourage USD resilience in the short term. In Asia, look also to RBA meeting minutes (0130 GMT) for further cues. **In the interim, despite positive risk appetite levels, expect markets to attempt to continue to digest and manifest the perceived hawkish overtones from last week's FOMC.**

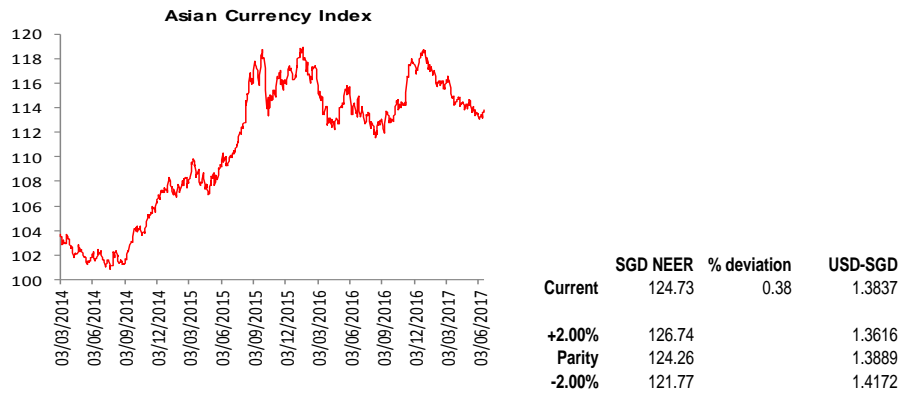
Asian FX

- As alluded to above, expect the **ACI (Asian Currency Index)** to inch higher incrementally intra-day in line with broad dollar moves despite the **FXSI (FX Sentiment Index)** ticking lower (i.e., improved risk appetite levels) overnight and with EM risk premiums still looking sanguine.
- **SGD NEER:** This morning, the SGD NEER is softer on the day at around +0.31% above its perceived parity (1.3920) with NEER-implied USD-SGD thresholds higher following overnight broad dollar moves. At current levels, the +0.50% threshold is estimated at 1.3851 but risks may be tilted somewhat towards parity intra-day.

Treasury Research &
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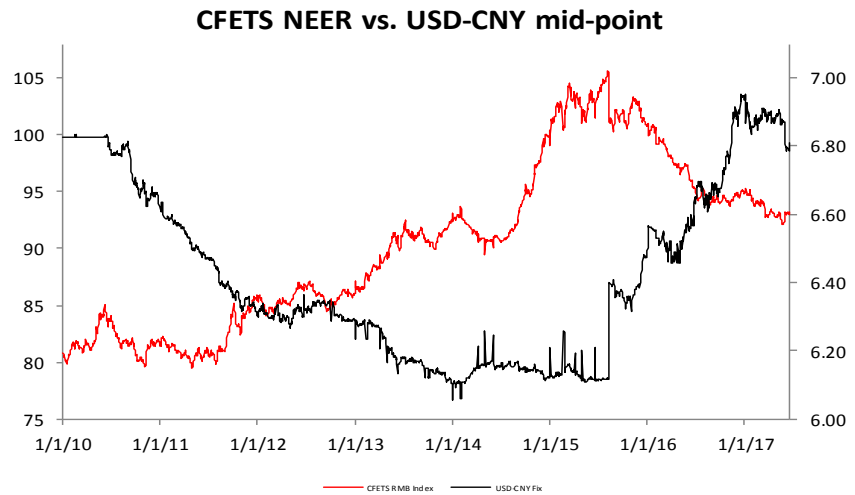
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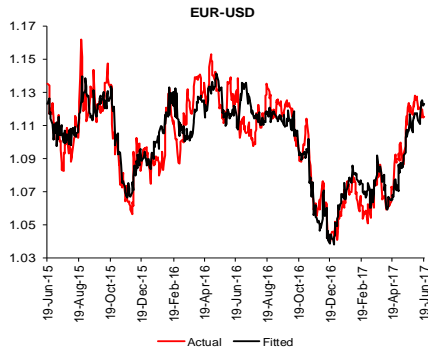
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point rose (but not as much as expected) to 6.8096 from 6.7972. This however still resulted in the CFETS RMB Index firming to 93.26 from 93.16.



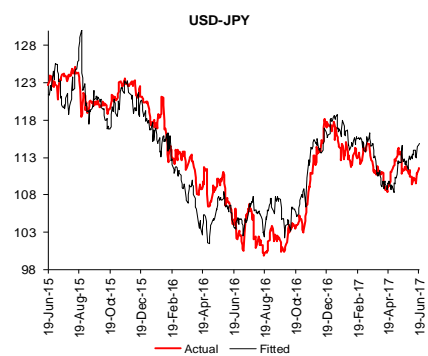
Source: OCBC Bank, Bloomberg

G7



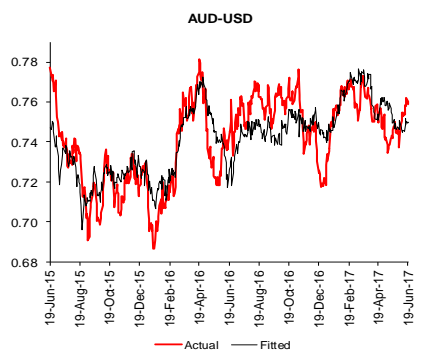
Source: OCBC Bank

- EUR-USD** Slightly dovish comments from the ECB’s Smets also did no favors for the EUR on Monday as USD dynamics dominated. Going ahead, the greenback’s demeanor continues to run counter to supported short term implied valuations and risks for a breach of 1.1140 towards 1.1100 and 1.1075 may remain apparent in the interim.



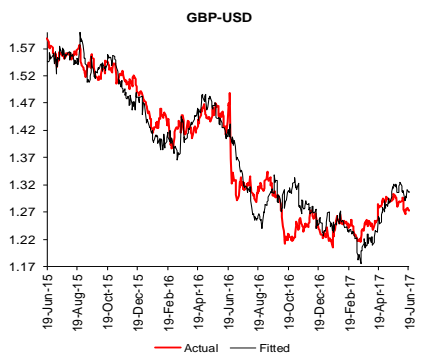
Source: OCBC Bank

- USD-JPY** Potential Fed “policy error” chatter aside, the pair may continue to latch onto firming short term implied valuations with the resistance at 112.00 now being eyed.



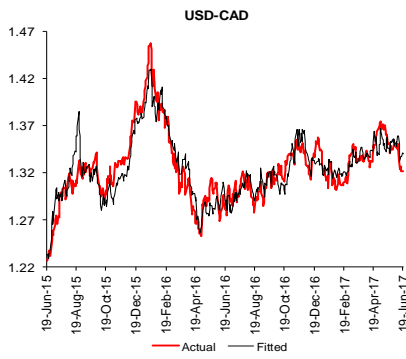
Source: OCBC Bank

- AUD-USD** Short term implied valuations for the AUD-USD still seem to be holding up at this juncture but with the USD underpinned in the near term, headroom for the pair may be somewhat constrained in the interim. Note also little new color from the RBA meeting minutest this morning with the central bank essentially still on neutral gear. Expect support towards the 100-day MA (0.7558) with initial resistance expected towards 0.7650.



Source: OCBC Bank

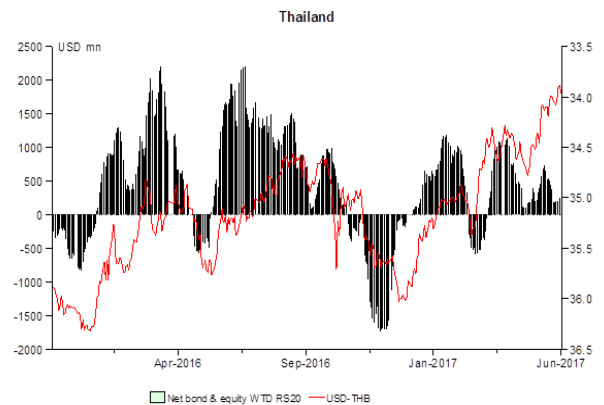
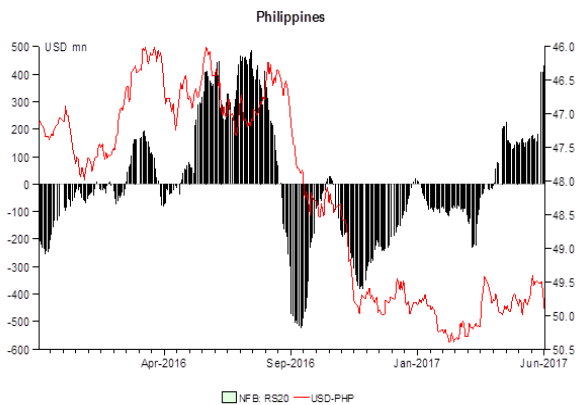
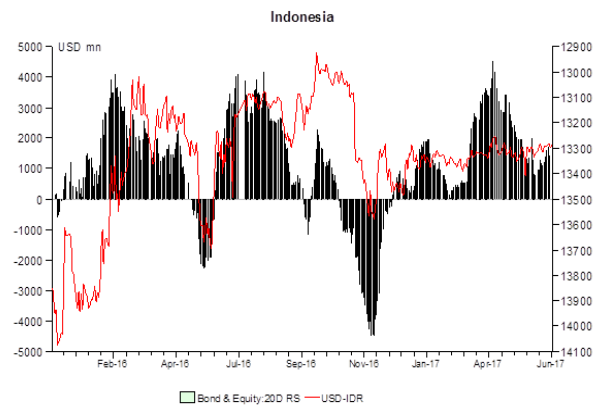
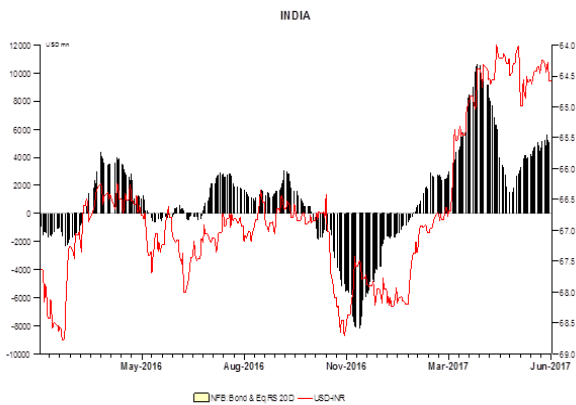
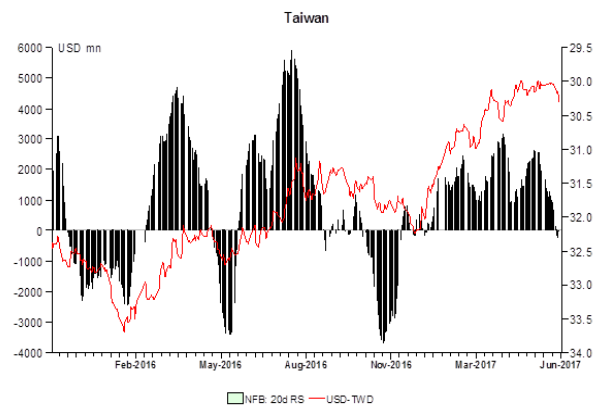
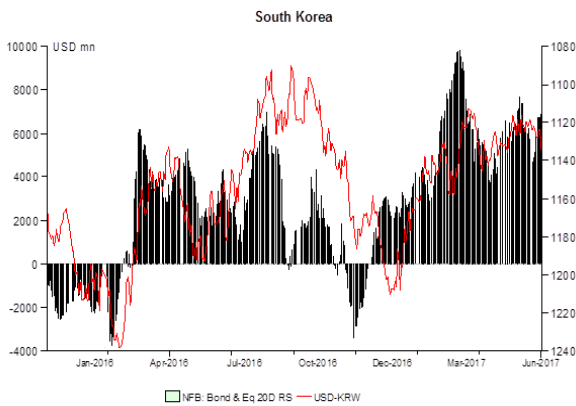
- GBP-USD** Brexit-related negativity and near term USD resilience may continue to overshadow hawkish comments from the BOE’s Forbes. Note that short term valuations have also ticked lower. With the 55-day MA (1.2811) serving as a resistance, we note risk for a further relapse towards the 100-day MA (1.2633). For today, watch for further cues from the BOE’s Carney (0730 GMT) and Finance Minister Hammond (on Brexit negotiations).



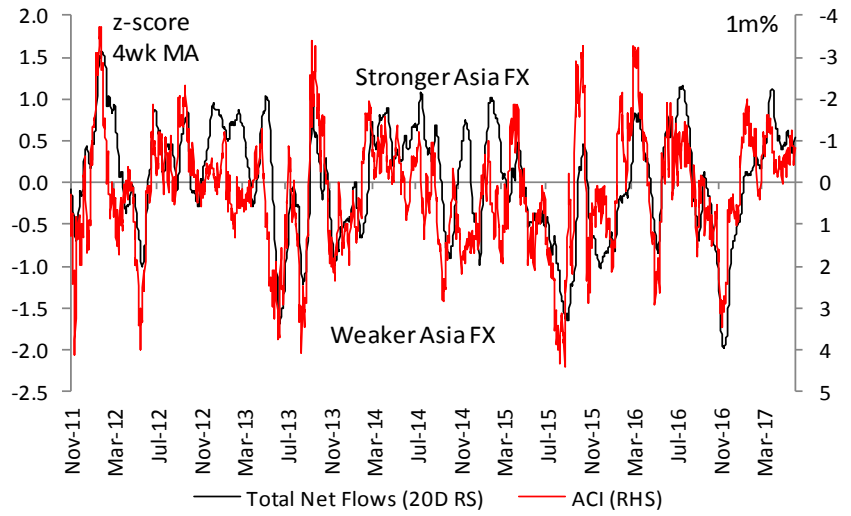
- USD-CAD** Markets may remain intent on testing the 1.3200 floor (towards 1.3150) despite stabilizing short term implied valuations (note soggy crude) for the USD-CAD and a supported USD backdrop.

Source: OCBC Bank

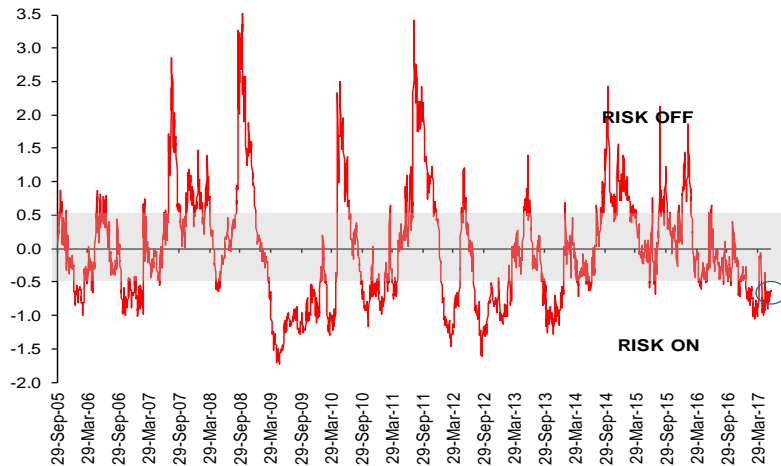
USD-Asia VS. Net Capital Flows



ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	0.573	0.455	-0.363	-0.383	0.245	0.689	0.212	0.133	-0.004	0.515	-0.923
CHF	0.892	0.575	0.624	-0.541	-0.529	0.362	0.729	0.264	0.235	0.054	0.670	-0.857
JPY	0.689	0.774	0.820	-0.674	-0.708	0.680	1.000	0.621	-0.075	0.524	0.679	-0.461
PHP	0.624	0.567	0.744	-0.686	-0.780	0.552	0.786	0.570	0.139	0.405	0.627	-0.443
SGD	0.593	0.804	0.654	-0.649	-0.678	0.631	0.787	0.544	0.233	0.505	0.587	-0.436
USGG10	0.573	1.000	0.820	-0.738	-0.665	0.829	0.774	0.784	0.100	0.592	0.696	-0.367
CNH	0.515	0.696	0.901	-0.776	-0.699	0.688	0.679	0.596	0.333	0.334	1.000	-0.397
INR	0.459	0.642	0.820	-0.752	-0.847	0.717	0.748	0.769	0.159	0.541	0.709	-0.271
CNY	0.455	0.820	1.000	-0.908	-0.843	0.898	0.820	0.867	0.164	0.645	0.901	-0.215
CCN12M	0.368	0.477	0.793	-0.669	-0.635	0.515	0.531	0.452	0.441	0.111	0.907	-0.314
TWD	0.316	-0.307	-0.125	0.149	-0.021	-0.441	-0.024	-0.413	0.291	-0.628	0.124	-0.497
THB	0.273	0.753	0.911	-0.870	-0.826	0.898	0.671	0.857	0.250	0.692	0.776	-0.043
MYR	0.214	0.577	0.805	-0.881	-0.887	0.805	0.642	0.737	0.491	0.634	0.662	-0.048
IDR	0.144	0.423	0.523	-0.689	-0.669	0.592	0.430	0.555	0.291	0.701	0.312	-0.024
KRW	0.128	-0.269	-0.165	0.109	-0.045	-0.319	-0.222	-0.288	0.345	-0.456	0.075	-0.276
AUD	-0.109	-0.539	-0.398	0.423	0.425	-0.668	-0.456	-0.730	0.256	-0.784	-0.036	-0.147
CAD	-0.119	0.438	0.361	-0.447	-0.316	0.639	0.256	0.632	-0.140	0.861	0.074	0.322
GBP	-0.238	0.361	0.608	-0.616	-0.528	0.680	0.361	0.659	-0.050	0.796	0.388	0.382
NZD	-0.314	-0.794	-0.874	0.884	0.847	-0.936	-0.734	-0.911	-0.146	-0.841	-0.602	0.062
EUR	-0.923	-0.367	-0.215	0.181	0.206	0.024	-0.461	0.081	-0.277	0.266	-0.397	1.000

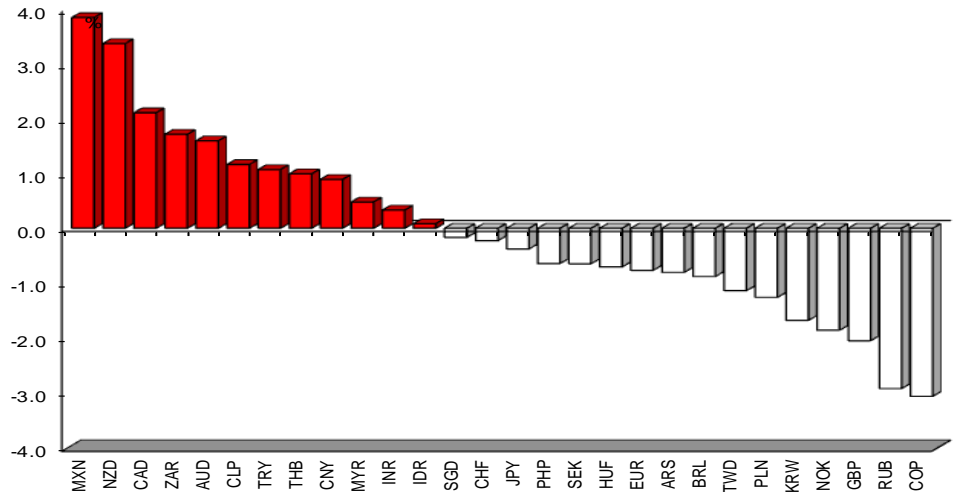
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1130	1.1151	1.1200	1.1283
GBP-USD	1.2652	1.2700	1.2733	1.2800	1.2842
AUD-USD	0.7500	0.7524	0.7598	0.7600	0.7636
NZD-USD	0.7090	0.7200	0.7229	0.7300	0.7303
USD-CAD	1.3169	1.3200	1.3223	1.3300	1.3336
USD-JPY	111.00	111.05	111.73	112.00	112.12
USD-SGD	1.3762	1.3800	1.3872	1.3888	1.3900
EUR-SGD	1.5397	1.5400	1.5469	1.5500	1.5585
JPY-SGD	1.2367	1.2400	1.2416	1.2500	1.2527
GBP-SGD	1.7600	1.7614	1.7662	1.7700	1.7862
AUD-SGD	1.0411	1.0500	1.0540	1.0555	1.0600
Gold	1214.30	1238.95	1242.60	1243.98	1260.38
Silver	16.00	16.30	16.50	17.19	17.58
Crude	44.05	44.20	44.28	44.30	48.84

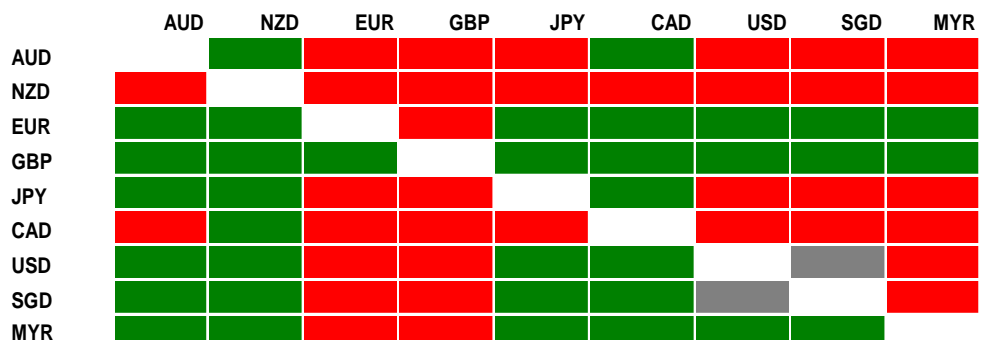
Source: OCBC Bank

FX performance: 1-month change agst USD



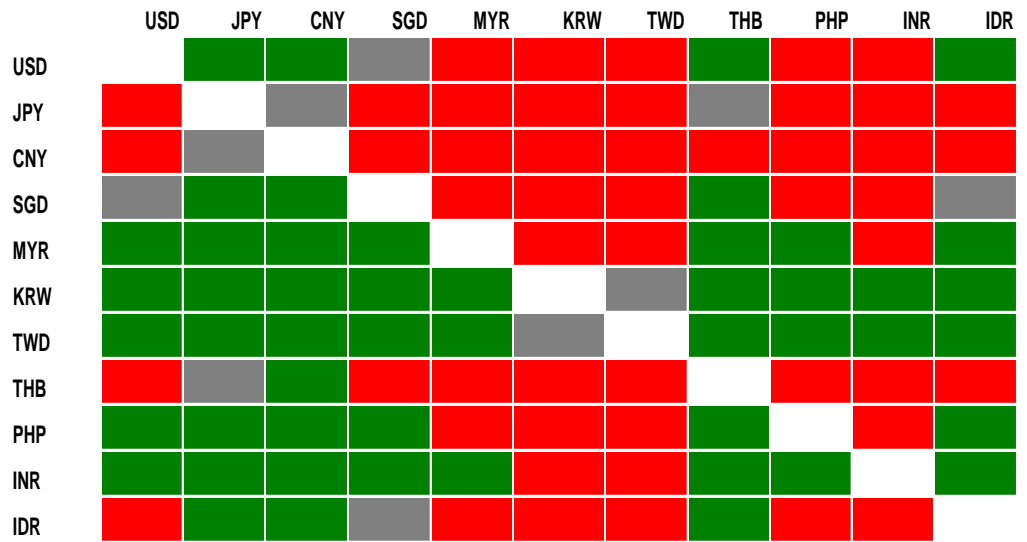
Source: Bloomberg

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	1.3045 1.3380	USD skepticism, sanguine risk appetite, supported crude		
2	01-Jun-17	S	USD-JPY	111.00	108.60 112.25	Weak broad dollar disposition		
3	08-Jun-17	B	AUD-USD	0.7550	0.7695 0.7475	Supportive Aussie GDP and China trade numbers, steady risk		
4	12-Jun-17	S	GBP-USD	1.2760	1.2455 1.2915	UK politics uncertainty/limbo		
STRUCTURAL								
5	24-Apr-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		
6	09-May-17	B	GBP-USD	1.2927	1.3500 1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish		
7	16-May-17	S	AUD-USD	0.7407	0.6890 0.7670	Global reflation plays to continue to wobble?		
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		
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)	
1	05-Apr-17	23-May-17	S	AUD-USD	0.7580	0.7490	Fragile risk appetite, slightly apprehensive RBA	+1.14
2	18-Apr-17	29-May-17	B	GBP-USD	1.2585	1.2832	Snap UK elections, soft dollar, -ve EUR risk	+1.79
3	17-May-17	14-Jun-17	B	EUR-USD	1.1120	1.1209	Disappointing US data feed, reversal of political risk premiums	+0.63
4	24-May-17	15-Jun-17	S	USD-SGD	1.3899	1.3828	Supportive Asian portfolio inflow environment, soggy USD	+0.49
* realized **of notional							Jan-May 2017 Return -17.04 2016 Return +6.91	

Source: OCBC Bank

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