

**Monday, November 20, 2017****FX Themes/Strategy/Trading Ideas – The week ahead**

- Despite better than expected October US housing starts, softer long-end US yields left the greenback ended mixed on Friday although the cyclical failed to benefit from USD vulnerability. News flow surrounding Special Counsel Mueller however kept the USD in check against the other majors. Early Monday in Asia, the EUR-USD slumped as news emerged that attempts to form a coalition government had collapsed over the weekend. Expect this development to cast a pall over market sentiment and especially over the EUR intra-day (especially if the prospect of fresh snap elections continues to circulate).
- This week, in addition to the global data calendar (November flash PMIs on Thursday-Friday), the Fed's Yellen is scheduled to speak on Tuesday while FOMC minutes are due on Wednesday. ECB rhetoric also kicks off in a big way this week with scheduled appearances by Nowotny (1145 GMT), Lautenschlaeger (1215 GMT), Draghi (1400 GMT and 1600 GMT), and Constancio (1415 GMT) on Monday. Subsequent ECB appearances are have also been penciled in everyday for the rest of the week.
- On other fronts, the RBA's Kearns (0135 GMT) and Kohler (0350 GMT) are due to speak today and going ahead, RBA meeting minutes are due on Tuesday while the RBA's Lowe also speak tomorrow at 0905 GMT.
- On the **CFTC** front, large non-commercial accounts flipped to a net long dollar bias in aggregate and net of JPY positioning, continued to pare their net implied short dollar bias. Meanwhile, leveraged accounts increased their net implied long dollar bias in the latest week. Asset manager accounts however loaded up further their net implied short dollar net balance in the latest week. In sum, the tussle between longer term/structural market participants and short term players may continue to create two-way volatility.
- Risk appetite considerations aside, USD resilience may continue to lose its luster in the near term. Note that on the US tax bill front, note that the Senate late Thursday approved its version but no further progress is expected till after Thanksgiving. With Thanksgiving on Thursday, expect liquidity in general to also abate, setting the stage for discrete jumps in volatility. Overall, expect skepticism towards the USD to prevail in the near term with investors also likely to focus on the other global central banks in the interim. Meanwhile, with the curve flattening in the US still persisting and with the DXY still anchored at 94.00, little in the way of new discretionary impetus is expected pending further headline-induced cues.

Treasury Research &  
Strategy

**Emmanuel Ng**

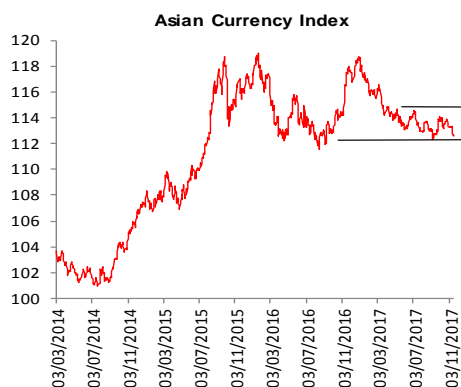
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- With near term USD resilience fizzling, we closed out our 24 Oct 17 idea to be tactically short **EUR-USD** (spot ref: 1.1763) at 1.1812 on Friday for an implied -0.27% dip.

## Asian FX

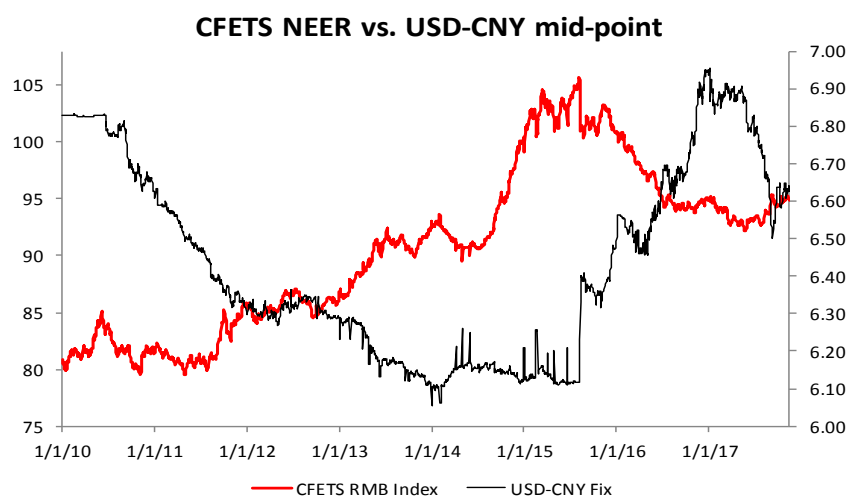
- EM FX remained resilient against the greenback on Friday but a soft start to Asian equities on Monday (on the heels of weak EZ/US equities on Friday) may see some caution setting in. At this juncture however, investor fear towards global contagion (emanating from German political uncertainty) remains relatively compartmentalized.
- On the risk appetite front, the **FXSI (FX Sentiment Index)** ventured back into Risk-On territory on Friday but expect slippage again into Risk-Neutral territory at the onset of the week. Overall, we look for the **ACI (Asian Currency Index)** to tick incrementally higher today.
- Within Asia, the **net portfolio inflow environment** remains largely constructive. Net portfolio inflows on a 1M rolling basis for the KRW have been moderating of late but remain very much in positive territory. Net outflows for the TWD moderated into the end of last week. Elsewhere, net inflows for the INR are strengthening (expect more in the pipeline post the Moody's upgrade last week) while net outflow momentum for the IDR have also been compressing significantly in recent sessions, partially on the back of renewed bond inflows. Ditto for the THB with moderating net outflow momentum. On the **EPFR** front, implied net equity inflows rebounded slightly in the latest week while implied net bond inflows flipped into negative territory, and this continues to present a potential caveat for Asian FX resilience beyond the short term.
- **SGD NEER:** This morning, the SGD NEER is softer on the day at around +0.82% above its perceived parity (1.3676) with NEER-implied USD-SGD thresholds easier on the day. Trace elements of risk aversion may keep the NEER on a soggy note intra-day with the +0.70% threshold estimated at 1.3580 while the +1.00% threshold (1.3539) may lend support to the USD-SGD. Technically, the foothold at the 55-day MA (1.3562) may be lost with potential towards 1.3510/20 if USD skepticism deepens ahead.



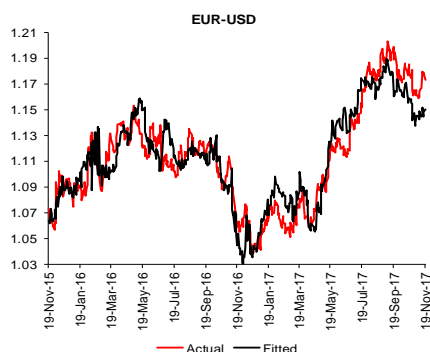
|         | SGD NEER | % deviation | USD-SGD |
|---------|----------|-------------|---------|
| Current | 125.25   | 0.80        | 1.3565  |
| +2.00%  | 126.74   |             | 1.3406  |
| Parity  | 124.26   |             | 1.3675  |
| -2.00%  | 121.77   |             | 1.3954  |

Source: OCBC Bank

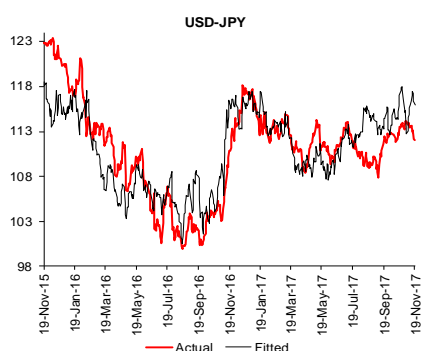
- **CFETS RMB Index:** The USD-CNY mid-point fell (largely as expected) to 6.6271 today from 6.6277 last Friday. This had the effect of pulling the CFETS RMB Index yet lower to 94.58 from 94.70.



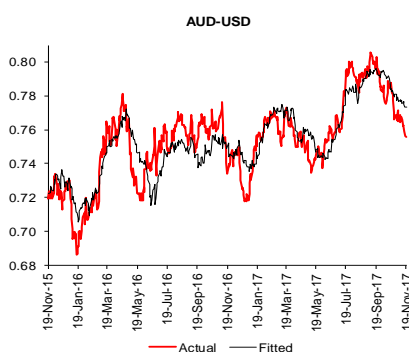
Source: OCBC Bank, Bloomberg

**G7**

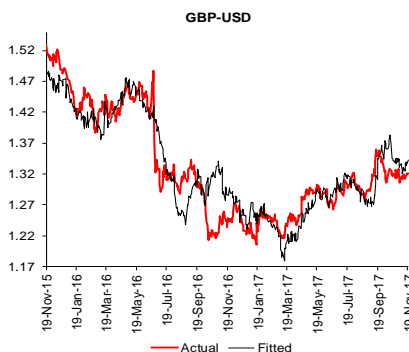
Source: OCBC Bank



Source: OCBC Bank



Source: OCBC Bank



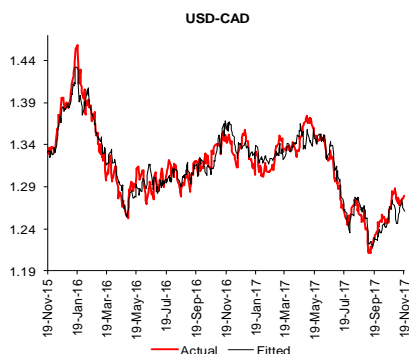
Source: OCBC Bank

- **EUR-USD** ECB Council Meeting minutes are due on Thursday but ahead of the swath of ECB speak today, German political negativity may be expected to keep the EUR-USD suppressed. Short term implied valuations meanwhile remain largely unperturbed with net leveraged EUR shorts on the CFTC front reduced slightly in the latest week. For today, expect the 55-day MA (1.1789) to cap, with risk of detaching below the 100-day MA (1.1748) towards 1.1700.

- **USD-JPY** We look potentially for some further downside in the USD-JPY on a mixture of background risk aversion and inherent USD fragility. Short term implied valuations for the USD-JPY are also heavy despite net leveraged CFTC JPY shorts increasing in the latest week. Overall, investors may contemplate a breakdown below the 200-day MA (111.76).

- **AUD-USD** Confidence towards the cyclical and the antipodeans remains less than robust at this juncture. Short term implied valuations have been persistently top heavy with net leveraged CFTC AUD longs being pared again in the latest week. In the near term, the support at 0.7550 may remain tenuous, with 0.7500 in plain sight at this juncture.

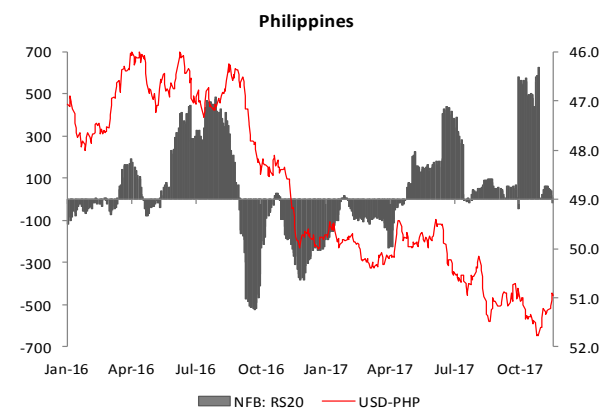
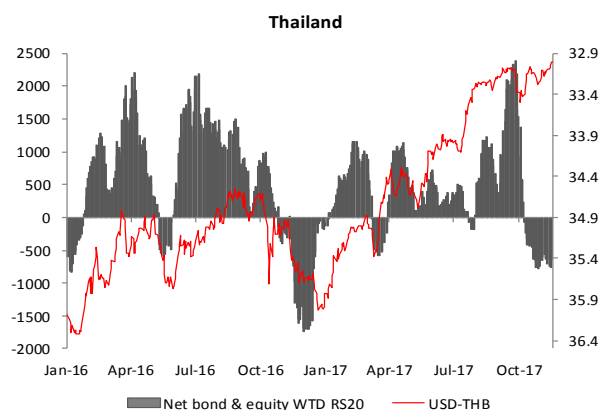
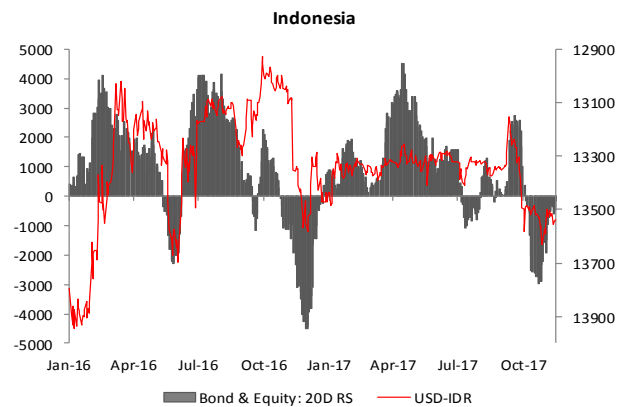
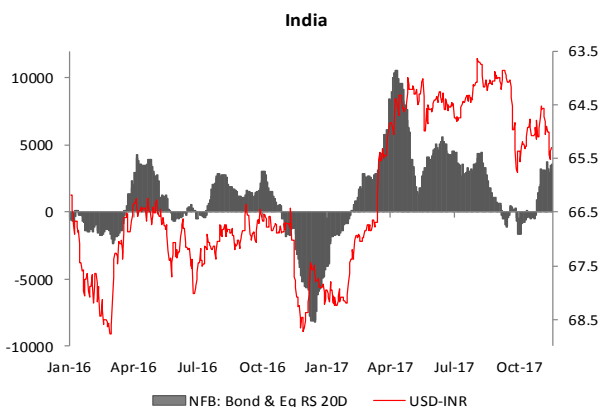
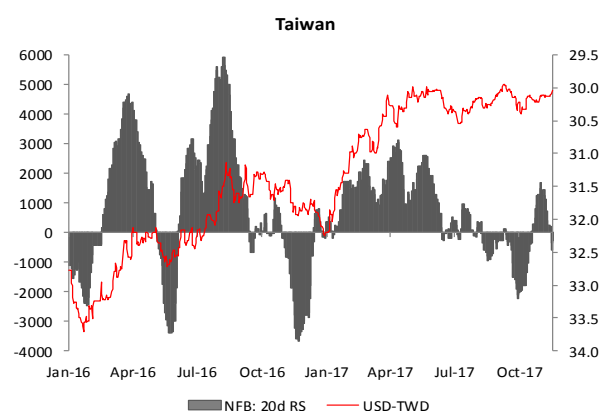
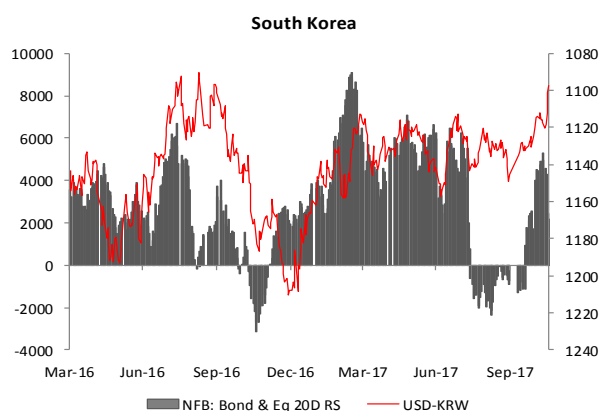
- **GBP-USD** The UK budget announcement is scheduled for Wednesday and the pair may continue to feed off background dollar vulnerability. Short term implied valuations are still holding up in the interim with net leveraged CFTC GBP longs picking up slightly in the latest week. Although downside gaps may remain apparent pending headline risks, investors may eye the 55-day MA (1.3244) while the 100-day MA (1.3124) may offer initial support.

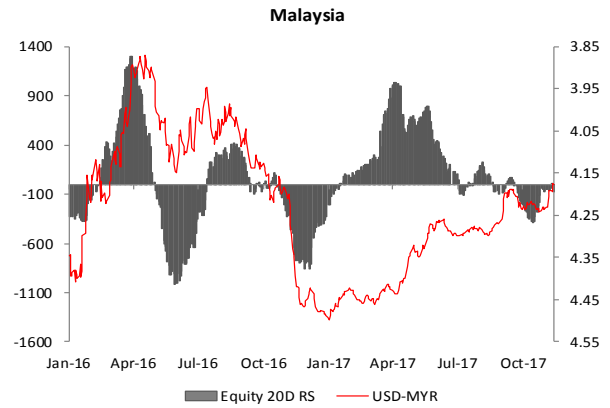


Source: OCBC Bank

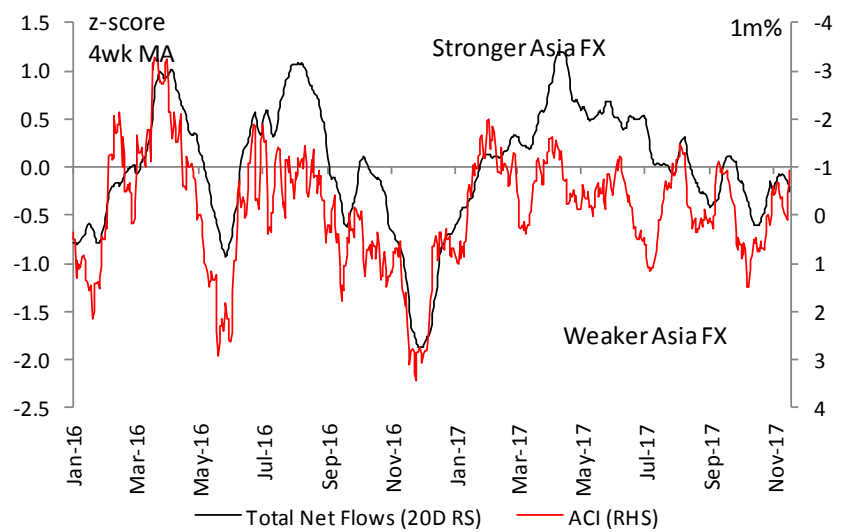
- USD-CAD** October inflation numbers came in largely within expectations (no hawkish overtones) and despite firmer crude, the pair inched higher into late NY as appetite towards the cyclicals remained sidelined. Meanwhile, note that short term implied valuations for the pair remain top heavy despite moderating net leveraged CAD longs in the latest week. Overall, diverse influences at this juncture may confine the pair to the 1.2800 neighborhood (we favor collecting on dips towards 1.2730).

### USD-Asia VS. Net Capital Flows

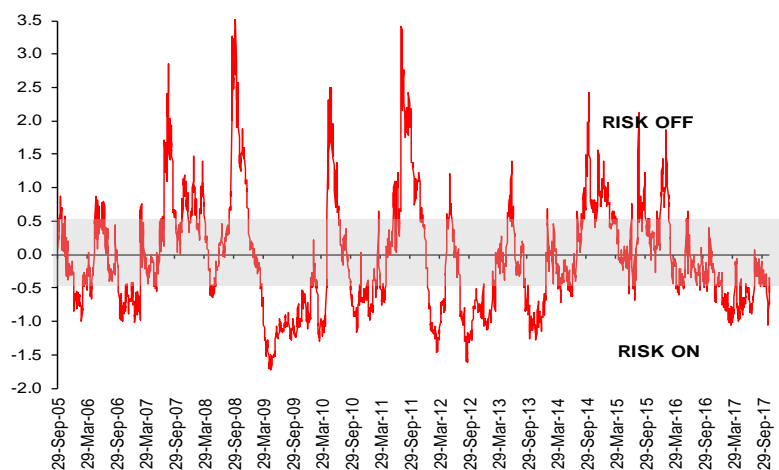




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

| Security | DXY           | USGG10       | CNY          | SPX           | MSELCA        | CRY           | JPY           | CL1           | VIX           | ITRXX         | CNH          | EUR           |
|----------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|
| DXY      | 1             | -0.175       | 0.01         | <b>0.566</b>  | 0.24          | 0.356         | <b>0.629</b>  | 0.258         | <b>-0.794</b> | <b>-0.78</b>  | -0.132       | <b>-0.979</b> |
| CHF      | <b>0.904</b>  | -0.073       | -0.237       | <b>0.58</b>   | 0.31          | 0.359         | <b>0.652</b>  | 0.261         | <b>-0.701</b> | <b>-0.737</b> | -0.242       | <b>-0.868</b> |
| SGD      | <b>0.633</b>  | 0.397        | 0.437        | -0.032        | -0.353        | -0.203        | <b>0.732</b>  | -0.322        | <b>-0.524</b> | -0.494        | 0.24         | <b>-0.619</b> |
| JPY      | <b>0.629</b>  | 0.241        | -0.072       | 0.13          | -0.104        | -0.087        | 1             | -0.255        | <b>-0.58</b>  | <b>-0.621</b> | -0.185       | <b>-0.578</b> |
| MYR      | <b>0.581</b>  | 0.227        | 0.166        | -0.105        | -0.473        | -0.377        | <b>0.813</b>  | -0.494        | <b>-0.699</b> | <b>-0.735</b> | -0.22        | <b>-0.553</b> |
| THB      | <b>0.52</b>   | 0.368        | 0.391        | -0.157        | <b>-0.535</b> | -0.358        | <b>0.758</b>  | -0.467        | <b>-0.518</b> | <b>-0.539</b> | -0.02        | -0.49         |
| NZD      | 0.335         | -0.188       | 0.058        | 0.315         | 0.26          | 0.293         | <b>0.566</b>  | 0.075         | -0.349        | -0.217        | -0.039       | -0.376        |
| CAD      | 0.319         | 0.179        | -0.244       | -0.191        | -0.295        | -0.294        | 0.102         | -0.225        | -0.174        | -0.398        | -0.339       | -0.226        |
| PHP      | 0.232         | <b>0.585</b> | 0.475        | -0.494        | <b>-0.713</b> | <b>-0.586</b> | <b>0.522</b>  | <b>-0.675</b> | -0.295        | -0.33         | 0.159        | -0.218        |
| KRW      | 0.177         | <b>0.573</b> | 0.481        | -0.492        | <b>-0.685</b> | <b>-0.56</b>  | <b>0.604</b>  | <b>-0.643</b> | -0.106        | -0.093        | 0.201        | -0.16         |
| AUD      | 0.142         | 0.262        | 0.111        | -0.283        | -0.473        | -0.459        | <b>0.609</b>  | <b>-0.588</b> | -0.327        | -0.331        | -0.135       | -0.171        |
| CCN12M   | 0.084         | 0.218        | <b>0.52</b>  | 0.019         | 0.141         | 0.287         | 0.125         | 0.19          | 0.148         | 0.31          | <b>0.67</b>  | -0.103        |
| IDR      | 0.037         | <b>0.641</b> | 0.098        | -0.483        | <b>-0.645</b> | <b>-0.61</b>  | 0.082         | <b>-0.593</b> | 0.086         | -0.001        | -0.016       | 0.044         |
| TWD      | 0.01          | <b>0.583</b> | 0.443        | -0.439        | <b>-0.705</b> | <b>-0.598</b> | 0.469         | <b>-0.686</b> | -0.134        | -0.066        | 0.224        | -0.005        |
| CNY      | 0.01          | 0.322        | 1            | -0.091        | -0.236        | -0.047        | -0.072        | -0.063        | -0.016        | 0.19          | <b>0.812</b> | -0.06         |
| CNH      | -0.132        | 0.434        | <b>0.812</b> | -0.092        | -0.008        | 0.118         | -0.185        | 0.105         | 0.292         | 0.49          | 1            | 0.054         |
| USGG10   | -0.175        | 1            | 0.322        | <b>-0.59</b>  | <b>-0.606</b> | <b>-0.594</b> | 0.241         | <b>-0.652</b> | 0.292         | 0.295         | 0.434        | 0.199         |
| GBP      | -0.374        | 0.185        | -0.018       | -0.401        | -0.217        | -0.265        | -0.335        | -0.218        | 0.27          | 0.108         | -0.026       | 0.333         |
| INR      | <b>-0.528</b> | 0.186        | 0.323        | -0.015        | 0.153         | 0.122         | -0.45         | 0.17          | <b>0.698</b>  | <b>0.827</b>  | <b>0.545</b> | <b>0.512</b>  |
| EUR      | <b>-0.979</b> | 0.199        | -0.06        | <b>-0.593</b> | -0.285        | -0.419        | <b>-0.578</b> | -0.313        | <b>0.796</b>  | <b>0.767</b>  | 0.054        | 1             |

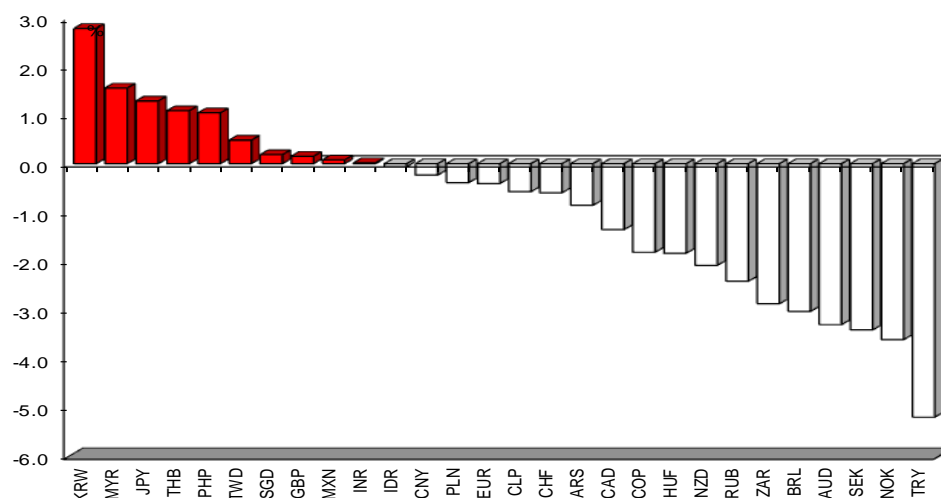
Source: Bloomberg

### Immediate technical support and resistance levels

|         | S2      | S1      | Current | R1      | R2      |
|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1.1554  | 1.1700  | 1.1733  | 1.1769  | 1.1800  |
| GBP-USD | 1.3052  | 1.3100  | 1.3191  | 1.3200  | 1.3252  |
| AUD-USD | 0.7536  | 0.7548  | 0.7554  | 0.7600  | 0.7694  |
| NZD-USD | 0.6795  | 0.6800  | 0.6804  | 0.6900  | 0.6970  |
| USD-CAD | 1.2647  | 1.2700  | 1.2796  | 1.2800  | 1.2887  |
| USD-JPY | 111.73  | 112.00  | 112.04  | 112.32  | 112.70  |
| USD-SGD | 1.3542  | 1.3564  | 1.3574  | 1.3600  | 1.3663  |
| EUR-SGD | 1.5768  | 1.5900  | 1.5926  | 1.5966  | 1.6000  |
| JPY-SGD | 1.2077  | 1.2100  | 1.2115  | 1.2130  | 1.2200  |
| GBP-SGD | 1.7758  | 1.7900  | 1.7905  | 1.7980  | 1.8000  |
| AUD-SGD | 1.0217  | 1.0238  | 1.0254  | 1.0300  | 1.0562  |
| Gold    | 1269.65 | 1289.25 | 1292.30 | 1292.81 | 1300.00 |
| Silver  | 17.07   | 17.20   | 17.21   | 17.25   | 17.30   |
| Crude   | 52.83   | 56.60   | 56.63   | 56.70   | 57.92   |

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   | 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   | 07-Nov-17                   | S         | AUD-USD   | 0.7671   | 0.7510                    | 0.7755    | RBA on hold, no inflation or rate hike urgency   |         |
| 3   | 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                  |           |   |  |                           |           |  |         |
| 4   | 09-May-17                   | B         | GBP-USD   | 1.2927   | 1.3700                    | 1.2535    | USD skepticism, UK snap elections, positioning overhang, hawkish                               |         |
| 5   | 07-Nov-17                   |           | Bullish 2M 1X2 USD-JPY Call Spread<br>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   | 29-Aug-17                   | 27-Oct-17 |   | Bearish 2M 1X1.5 USD-SGD Put Spread<br>Spot ref: 1.3519; Strikes: 1.3511, 1.3361; Exp: 27/10/17; Cost: 0.31% |                           |           | Vulnerable USD, prevailing positivity towards carry, EM/Asia                                   | -0.31** |
| 2   | 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   |
| 3   | 21-Sep-17                   | 15-Nov-17 | B   | USD-JPY  | 112.58                    | 113.13    | Policy dichotomy post FOMC-BOJ + positive risk appetite levels                                 | +0.73   |
| 4   | 24-Oct-17                   | 15-Nov-17 | B   | USD-SGD  | 1.3616                    | 1.3540    | Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in       | -0.54   |
| 5   | 24-Oct-17                   | 17-Nov-17 | S   | EUR-USD  | 1.1763                    | 1.1812    | Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow | -0.27   |
|   | Jan-Nov*** 2017 Return      |           |   |  |                           |           |  | -12.25  |
|   | 2016 Return                 |           |   |  |                           |           |  | +6.91   |
| * realized **of notional ***month-to-date |                             |           |   |  |                           |           |  |         |

Source: OCBC Bank

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