

Thursday, March 23, 2017

FX Themes/Strategy/Trading Ideas

- Risk aversion saw USD-JPY dipping briefly below 111.00 on Wed with the JPY (JPY largest gainer against the USD followed by the CHF) outperforming across the board while the AUD trailed its G10 cohorts. The broad dollar meanwhile ended mixed (UST curve marginally softer) across G10 as skepticism towards the Trump trade prevailed and despite Kaplan's remarks pointing to 3 hikes this year.
- For today, Fed watchers will be focused on **Yellen's** appearance (1245 GMT) for further cues on the Fed's rate hike intentions. However, the House of Representatives' vote on the **AHCA (American Healthcare Act)** also today may have a more immediate impact on asset markets. A failure to pass would risk deflating the Trump trade further.
- Overall, even if background risk aversion continues to remain under wraps intra-day, investor inclination may be to continue to fade any USD upticks pending Yellen and the healthcare vote. Outside of the dollar sphere, note that potential risk aversion fault lines remain clearly demarcated, with short-end riskies weighing on the USD-JPY and AUD-USD.
- To this end, global risk appetite levels continue to bear watching, with the **FXSI (FX Sentiment Index)** ticking higher for the 4th consecutive session on Wednesday.

Asian FX

- EM FX was also a mixed bag relative to the USD on Wed with investor caution placated slightly following slight US equity gains. Expect USD-Asia to remain trapped in recent ranges amidst background caution and the **ACI (Asian Currency Index)** to be supported on dips. On the central bank front, the BSP and the CBC are expected to keep their policy benchmark rates unchanged at their respective policy meetings today.
- **SGD NEER:** Today, the **SGD NEER** is a touch firmer on the day at +0.42% above its perceived parity (1.4061). NEER-implied USD-SGD thresholds are slightly softer on the day although background investor caution pending the broader narrative may put a floor on the USD-SGD. In a nutshell, we would expect the NEER to be slightly top heavy within +0.50% (1.3992) and its parity. From a technical perspective, 1.3955/70 may cushion on dips. Consolidation is thus expected to be the name of the game today.

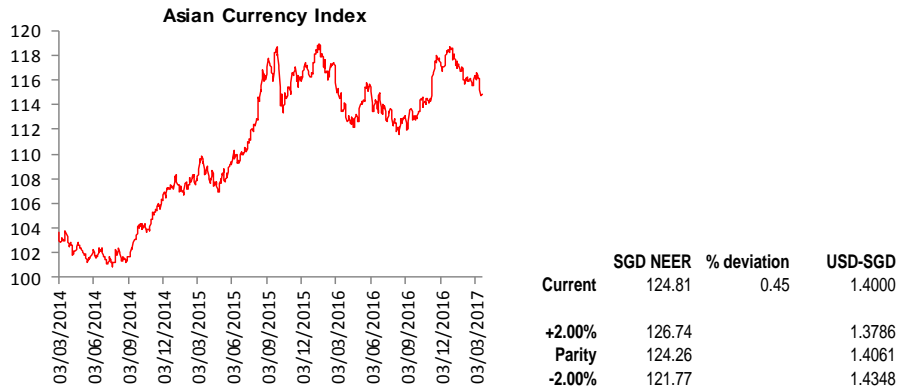
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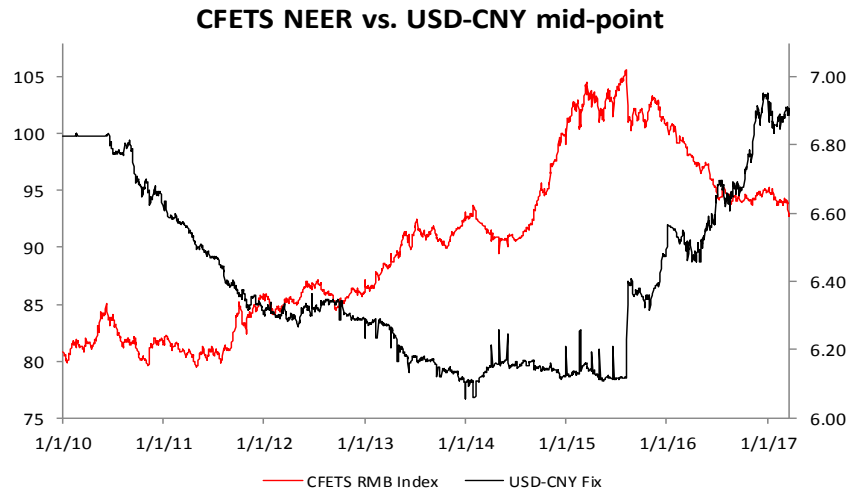
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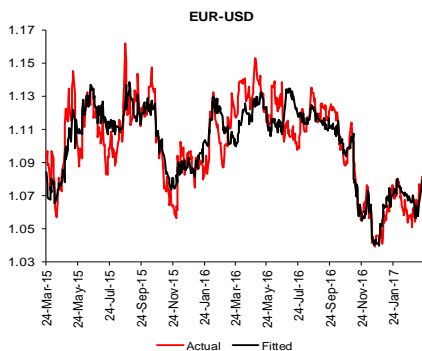
Source: OCBC Bank

- CFETS RMB Index:** Today, the USD-CNY mid-point fell (as largely expected) but came in at a higher than expected 6.8856 from 6.8889 yesterday. This left the **CFETS RMB Index** marginally lower at 92.90 compared to 92.92 on Wednesday.



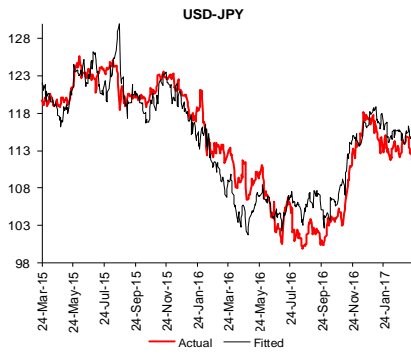
Source: OCBC Bank, Bloomberg

G7



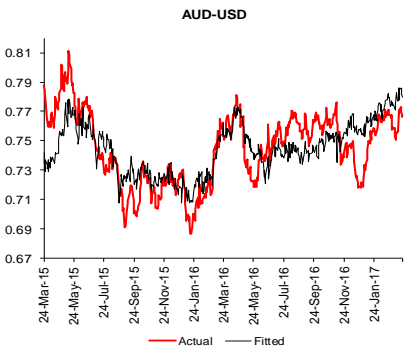
Source: OCBC Bank

- EUR-USD** The ECB's Economic Bulletin today may provide a minor distraction while the ECB's Nouy and Lautenschlaeger are also scheduled for appearances. Short term valuations for the EUR-USD have edged lower slightly although we reckon investors may pick up on dips within 1.0750-1.0830 pending further US-centric headline risks today.



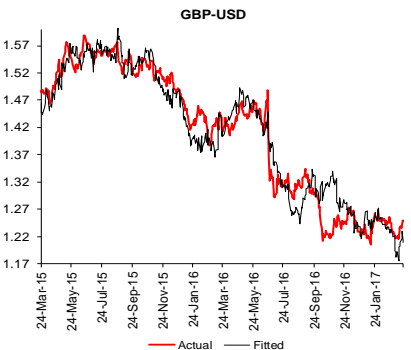
Source: OCBC Bank

- USD-JPY** With dollar skepticism and background risk aversion in play, technicals and short term valuations continue to point south for the pair, underscoring our ongoing tactical short. In the current environment, the key psychological 110.00 level may prove increasingly conspicuous.



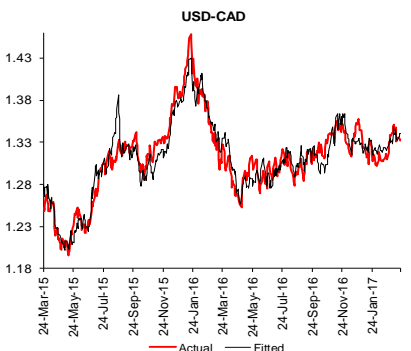
Source: OCBC Bank

- AUD-USD** In the near term, the AUD-USD may remain a victim of its own recent success, with investors likely to continue to pause on the upside if global market uncertainty persists. Fade upticks towards 0.7700 in the near term amidst rangy markets, with initial support expected into 0.7600. On other fronts, the RBNZ kept its benchmark rate at 1.75% and remained accommodative as widely expected.



Source: OCBC Bank

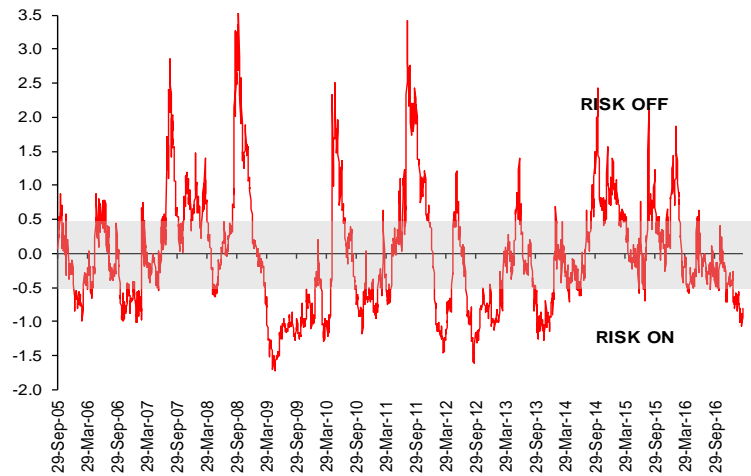
- GBP-USD** GBP-USD slipped through 1.2450 on the back of the LDN terror attack but recovered to end flat on the day. Feb retail sales are due today with the BOE's Broadbent scheduled at 0900 GMT. In the interim, the GBP-USD may remain slightly conflicted within 1.2430-1.2530, with short term implied valuations softening.



Source: OCBC Bank

- USD-CAD** Near term view for USD-CAD also remains slightly ambiguous at this juncture with supportive short term implied valuations (WTI still looking suppressed) running counter to a weakened broad dollar. Expect investors to ply a 1.3280-1.3380 range in the interim.

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	0.364	0.186	0.398	-0.799	0.304	0.798	0.479	-0.106	-0.461	0.499	-0.909
CHF	0.965	0.301	0.127	0.281	-0.827	0.321	0.788	0.542	-0.126	-0.372	0.498	-0.921
SGD	0.867	0.629	0.400	0.142	-0.657	-0.060	0.879	0.179	-0.072	-0.454	0.704	-0.716
MYR	0.847	0.494	0.313	0.382	-0.757	0.095	0.830	0.297	-0.172	-0.534	0.417	-0.689
INR	0.820	-0.008	-0.267	0.261	-0.929	0.662	0.549	0.807	0.010	-0.289	0.202	-0.898
JPY	0.798	0.815	0.632	0.439	-0.537	-0.230	1.000	0.046	-0.259	-0.620	0.687	-0.573
TWD	0.761	0.669	0.491	0.394	-0.788	-0.030	0.905	0.206	-0.291	-0.583	0.551	-0.562
KRW	0.760	0.604	0.461	0.405	-0.713	-0.044	0.847	0.164	-0.303	-0.624	0.576	-0.528
THB	0.641	0.761	0.610	0.296	-0.505	-0.338	0.909	-0.027	-0.215	-0.434	0.495	-0.468
PHP	0.610	0.437	0.344	0.103	-0.667	-0.083	0.631	0.084	0.047	-0.358	0.448	-0.423
IDR	0.607	0.601	0.416	0.459	-0.580	-0.138	0.800	0.038	-0.160	-0.610	0.391	-0.370
CCN12M	0.549	0.548	0.448	0.168	-0.457	-0.173	0.742	-0.031	-0.340	-0.368	0.541	-0.338
CNH	0.499	0.764	0.706	0.046	-0.143	-0.397	0.687	-0.248	-0.277	-0.509	1.000	-0.250
USGG10	0.364	1.000	0.890	0.208	-0.036	-0.692	0.815	-0.550	-0.234	-0.540	0.764	0.009
CAD	0.352	0.875	0.804	0.023	-0.062	-0.627	0.649	-0.501	0.002	-0.483	0.848	-0.011
CNY	0.186	0.890	1.000	0.202	0.165	-0.774	0.632	-0.673	-0.367	-0.454	0.706	0.203
NZD	-0.205	-0.921	-0.900	0.031	-0.099	0.779	-0.591	0.640	0.222	0.464	-0.809	-0.154
GBP	-0.691	-0.850	-0.770	-0.324	0.420	0.392	-0.912	0.138	0.165	0.562	-0.785	0.422
AUD	-0.724	-0.691	-0.490	0.022	0.562	0.254	-0.802	0.033	0.030	0.432	-0.786	0.507
EUR	-0.909	0.009	0.203	-0.274	0.828	-0.597	-0.573	-0.746	-0.032	0.216	-0.250	1.000

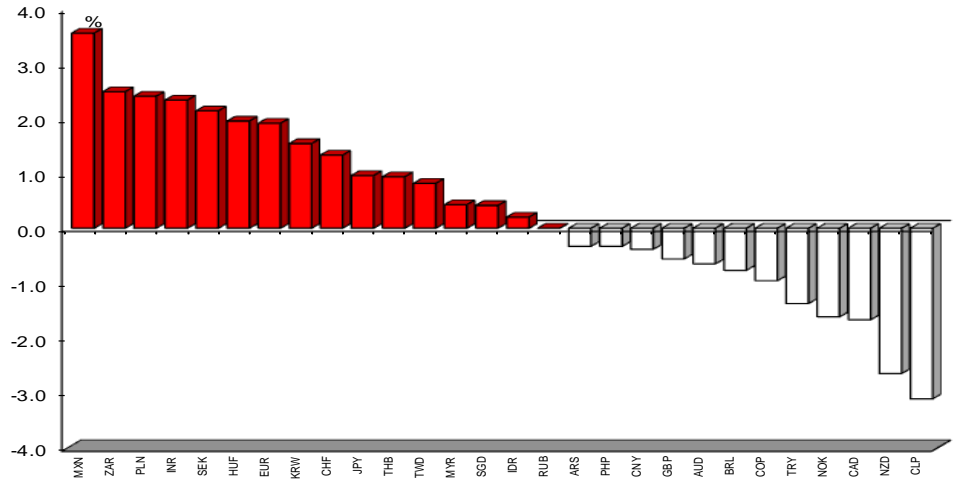
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.0660	1.0700	1.0784	1.0800	1.0825
GBP-USD	1.2399	1.2400	1.2484	1.2500	1.2540
AUD-USD	0.7600	0.7617	0.7664	0.7700	0.7750
NZD-USD	0.6890	0.7000	0.7035	0.7100	0.7140
USD-CAD	1.3216	1.3300	1.3325	1.3400	1.3535
USD-JPY	111.00	111.05	111.52	112.00	113.39
USD-SGD	1.3950	1.3970	1.4000	1.4135	1.4205
EUR-SGD	1.5000	1.5068	1.5097	1.5100	1.5114
JPY-SGD	1.2464	1.2500	1.2553	1.2563	1.2600
GBP-SGD	1.7141	1.7400	1.7476	1.7500	1.7519
AUD-SGD	1.0635	1.0700	1.0729	1.0769	1.0800
Gold	1200.00	1222.72	1246.40	1264.28	1264.90
Silver	17.48	17.50	17.55	17.60	18.10
Crude	47.01	48.30	48.34	48.40	52.14

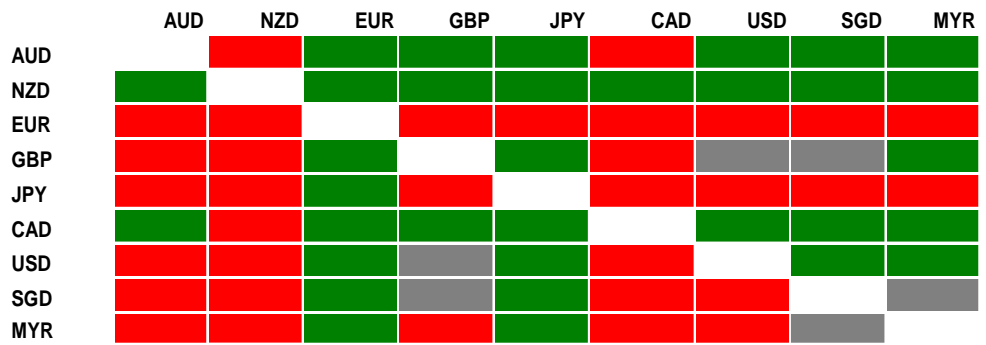
Source: OCBC Bank

FX performance: 1-month change agst USD



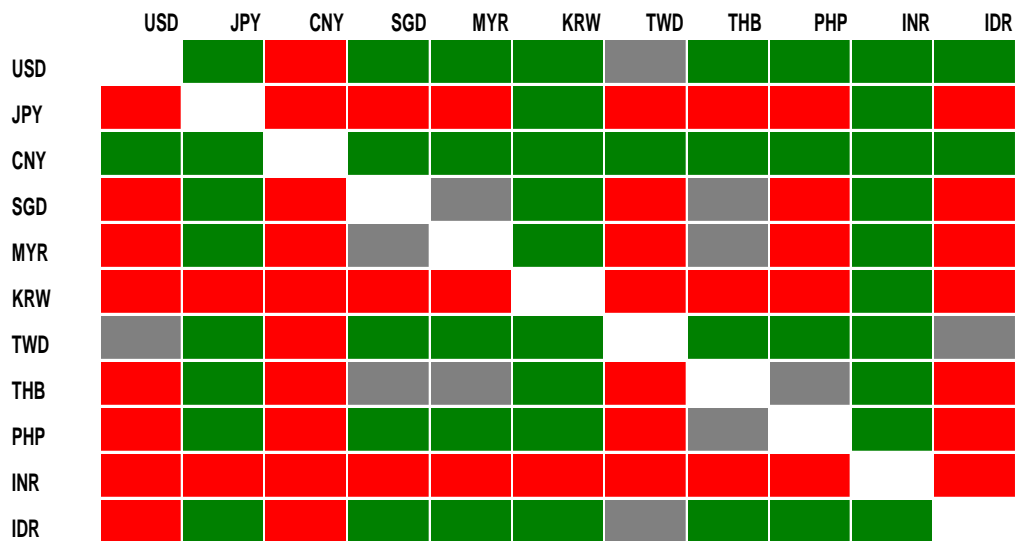
Source: Bloomberg

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	01-Mar-17	B	USD-CAD	1.3326	1.3605 1.3185	BOC static in March, sharp contrast with Fed's recent posture		
2	17-Mar-17	B	EUR-USD	1.0766	1.1000 1.0645	Dutch election news flow, abating le Pen concerns, weekend USD		
3	17-Mar-17	S	USD-SGD	1.4029	1.3800 1.4145	Vulnerable USD, positive risk appetite, tolerant MAS		
4	22-Mar-17	S	USD-JPY	111.62	108.40 113.25	Trump trade unwind, mild risk aversion		
STRUCTURAL								
5	22-Nov-16	B	USD-JPY	110.81	123.40 104.50	Potential for a more activist Fed, static BOJ		
6	28-Nov-16	S	EUR-USD	1.0641	0.9855 1.1035	USD in ascendance, political risk premium in EZ		
7	14-Feb-17		Bearish 2M USD-CAD Put Spread Spot ref: 1.3055; Strikes: 1.3049, 1.2500 Cost: 1.19%			Underlying growth theme in spite of the Trump/FOMC trade		
8	22-Feb-17		Bullish 2M AUD-USD 1X1.5 Call Spread Spot ref: 0.7688; Strikes: 0.7677, 0.8041 Cost: 1.19%			Global reflation trade, Fed expected to hike later rather than sooner		
RECENTLY CLOSED TRADE IDEAS								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	25-Jan-17	01-Mar-17	B	GBP-USD	1.2528	1.2383	Subsidence of acute A50 concerns in the short term	-1.26
2	12-Jan-17	02-Mar-17	B	AUD-USD	0.7463	0.7560	Reflation may dominate as the Trump trade pauses	+1.35
3	20-Jan-17	02-Mar-17	S	USD-SGD	1.4240	1.4125	Potential for Trump's inauguration to disappoint USD bulls	+0.81
4	12-Jan-17	08-Mar-17	S	USD-JPY	114.63	113.91	Downward consolidation post-Trump press conference	+0.31
5	22-Feb-17	10-Mar-17	S	EUR-USD	1.0548	1.0695	Potential near term USD strength, brewing EZ political risks	-1.30
6	10-Mar-17	15-Mar-17	S	AUD-USD	0.7519	0.7605	Compression in cyclicals vs. USD strength	
7	25-Oct-16	20-Mar-17	B	USD-SGD	1.3919	1.3984	Bullish dollar prospects, negative space for SGD NEER	+0.54
8	03-Mar-17	20-Mar-17	S	GBP-USD	1.2253	1.2435	Sustained Brexit risks vs. recent USD resilience	-1.46
* realized								
								Jan-Feb 2017 Return -7.14
								2016 Return +6.91

Source: OCBC Bank

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