

Friday, July 28, 2017

FX Themes/Strategy/Trading Ideas

- Firmer than expected (headline) June durable goods orders (note that core measures were nothing to write home about and actually disappointed), firmer UST yields, and cited profit taking activity saw the USD stage a healthy retracement across G10 space on Thursday after plumbing new lows earlier in the Asian session on Thursday.
- Note however that despite the USD retrace, the USD-JPY eventually topped from intra-day highs to end largely unchanged. On other fronts, the CHF flamed out against the EUR, with the EUR-CHF surging higher past 1.1250 as markets decided to focus on policy dichotomy between the ECB and the SNB. Elsewhere, despite some backwash lower against the USD, the antipodeans retained some resilience across G10 space.
- For today, look to final **2Q US GDP** (1230 GMT) prints, the 2Q ECI, and the July Michigan consumer confidence readings, although an appearance by **Kashkari** (1720 GMT) may garner more attention instead. On other fronts, Australian PPI readings (0130 GMT), EZ July confidence indicators, and **July German CPI**, may provide some data distraction.
- Overall, expect potential for markets to re-group against the USD after Thursday's retracement efforts by the greenback. Technically, several major currency pairs continue to contemplate their **200-week MAs** as pointed out previously (now including the EUR-CHF). Thus, perceived **policy dichotomy** plays (Fed vs. BOJ, ECB vs. SNB) may continue to persist in addition to risk appetite-induced preference for the **cyclicals/carry**. Overall, the 200-week MA (92.26) for the **DX** we think remains a likely target if 93.00 is subsequently breached.
- Our 13 Jul 17 idea to be tactically long **AUD-USD** (spot ref: 0.7708) hit its extended objective of 0.8015 on Thursday as the USD continued to crumble. We extend our objective to 0.8175, trailing the stop to 0.7935
- In a similar vein, our 04 Jul 17 idea to be tactically long **EUR-USD** (spot ref: 1.1346) also reached its extended target of 1.1755 on Thursday. We further stretch out our objective to 1.1965, trailing the stop to 1.1645.

Treasury Research &
Strategy

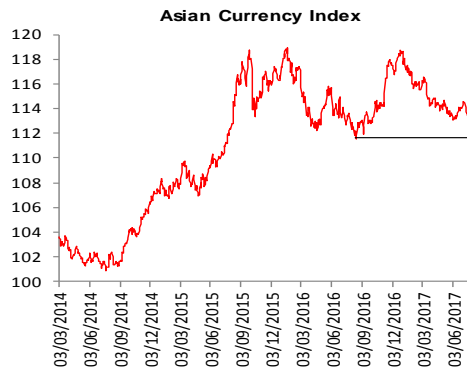
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Asian FX

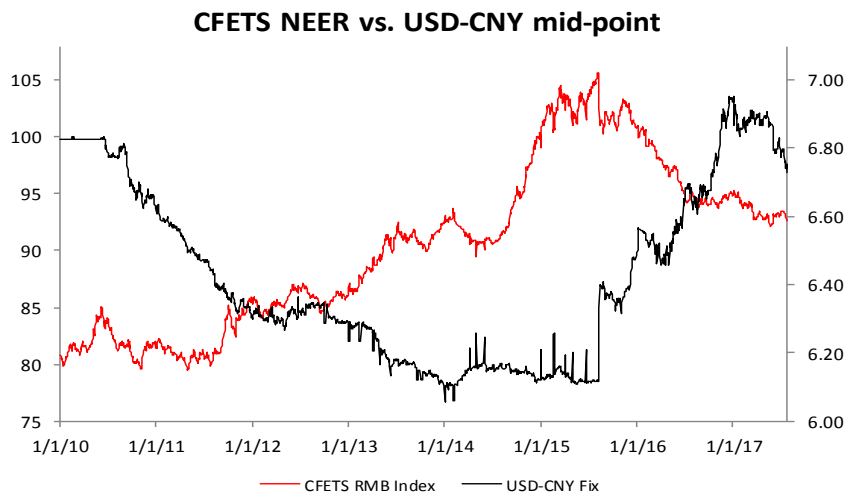
- Following overnight cues from EM FX, look for USD-Asia (note wobbly tech stocks) to be slightly more supported to consolidative into the end of the week. Net portfolio inflows meanwhile continue to demonstrate waning inflow momentum for the KRW, TWD, and THB while the IDR is seen increasingly underpinned. We see some nascent support emerging for the INR and the PHP. Overall, expect the **ACI (Asian Currency Index)** to pause on the downside in the near term with the **FXSI (FX Sentiment Index)** ticking higher within Risk-On territory on Thursday.
- **SGD NEER:** The SGD NEER is slightly softer on the day at around +1.05% above its perceived parity (1.3727) with NEER-implied USD-SGD thresholds a touch firmer on the day. At current levels, the +1.00% threshold is estimated at 1.3591 and +1.50% at 1.3524, with the basket likely to orbit the +1.00% threshold in the interim. Technically, if the pair fails to retake 1.3600 convincingly, the 200-week MA (1.3442) may loom into focus beyond the short term.



	SGD NEER	% deviation	USD-SGD
Current	125.55	1.04	1.3592
+2.00%	126.74		1.3458
Parity	124.26		1.3727
-2.00%	121.77		1.4007

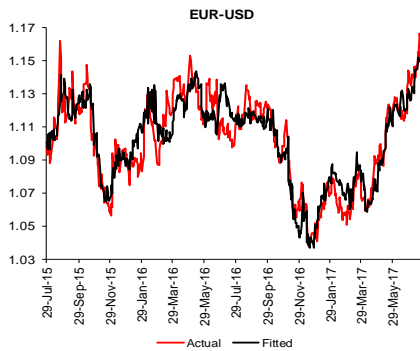
Source: OCBC Bank

- **CFETS RMB Index:** The USD-CNY mid-point this morning rose (as largely expected) to 6.7373 from 6.7307 on Thursday, leading the CFETS RMB Index higher to 92.74 from 92.64 on Thursday.



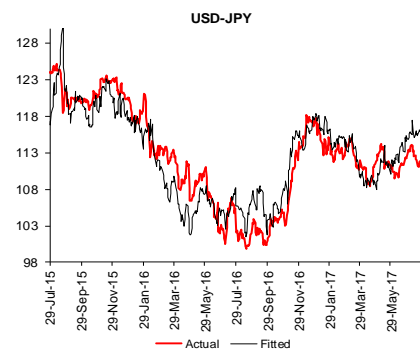
Source: OCBC Bank, Bloomberg

G7



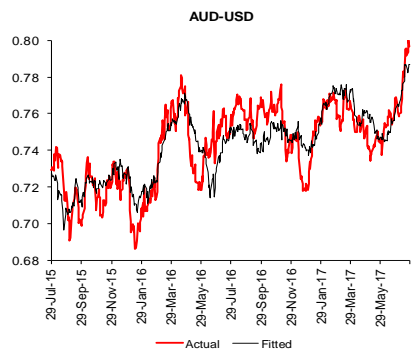
Source: OCBC Bank

- EUR-USD** EUR-USD may continue to consolidate into the end of the week (note softening EZ bank lending for June) with short term implied valuations also softening. Expect some soul searching within 1.1630-1.1740 pending further headline risks.



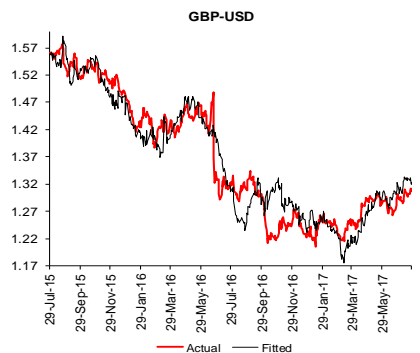
Source: OCBC Bank

- USD-JPY** Apart from Senate/Obamacare chatter and internal discord within the White House, short term implied valuations also seem to be levelling off in the near term. We retain a preference to sell on rallies towards the congregation of resistance levels at 111.50, the 100-day MA (111.57), and the 55-day MA (111.68).



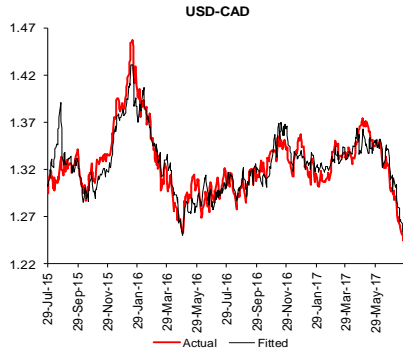
Source: OCBC Bank

- AUD-USD** Expect the AUD-USD to remain supported on dips given the still constructive risk appetite backdrop. Note that short term implied valuations also remain supportive of the pair and we look for base building behavior to emerge on approach of 0.7900/30.



Source: OCBC Bank

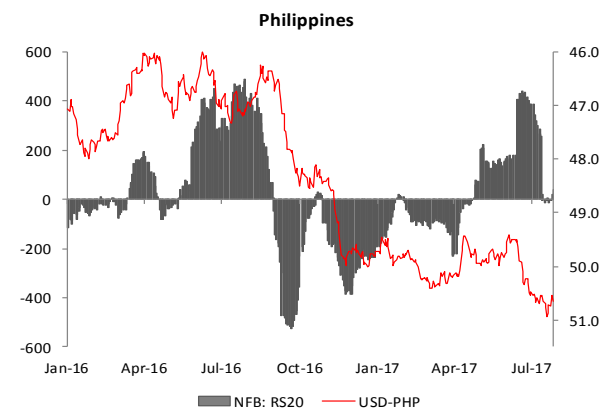
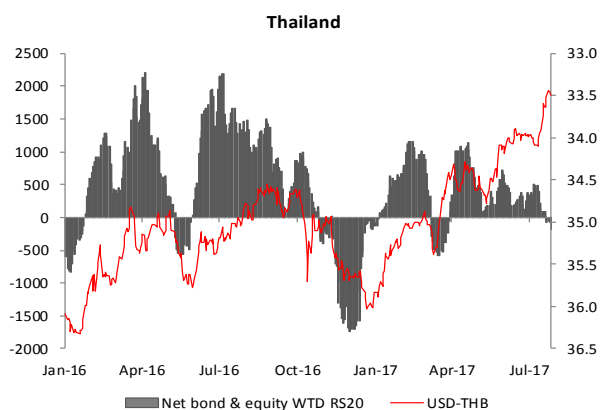
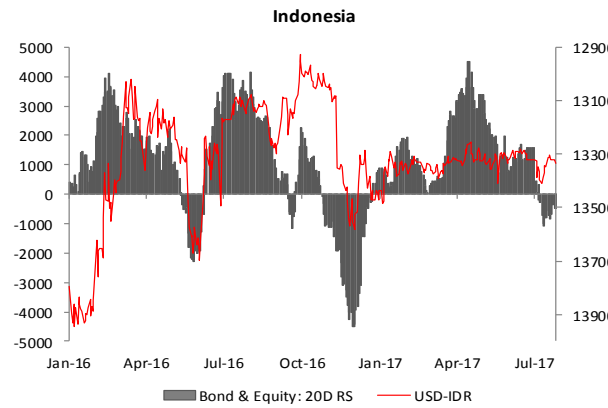
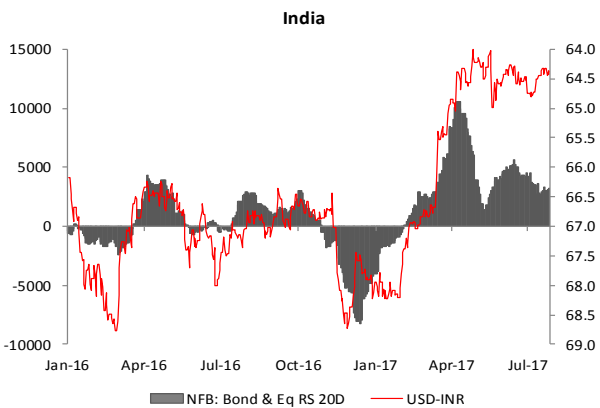
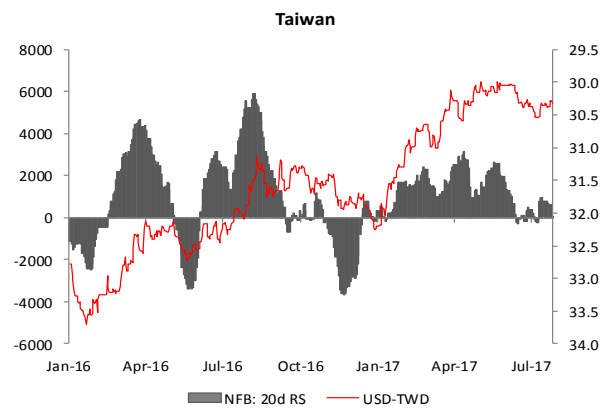
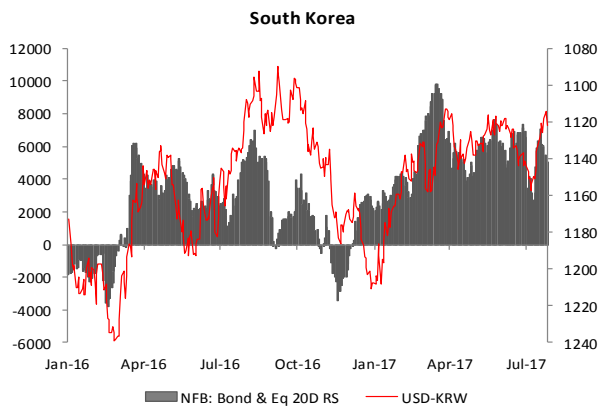
- GBP-USD** Despite better than expected July CBI numbers, a dollar rebound coupled with potential negative overhang from Brexit negotiations (October talks may be delayed) and the appointment of the government's Dave Ramsden (perceived as dovish) as the BOE's deputy governor, dragged the GBP-USD lower. Short term implied valuations are looking toppish and accumulate on dips towards 1.3030 instead.

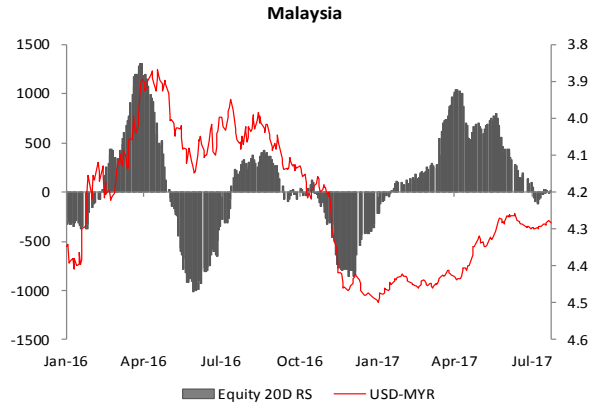


- USD-CAD** USD-CAD experienced a decent bounce back above 1.2500 on Thursday in the wake of the dollar retracement and despite firmer crude. Markets may remain heavy on the pair nonetheless, with short term implied valuations for the pair still laden. Look to fade short term corrective moves towards 1.2600/30.

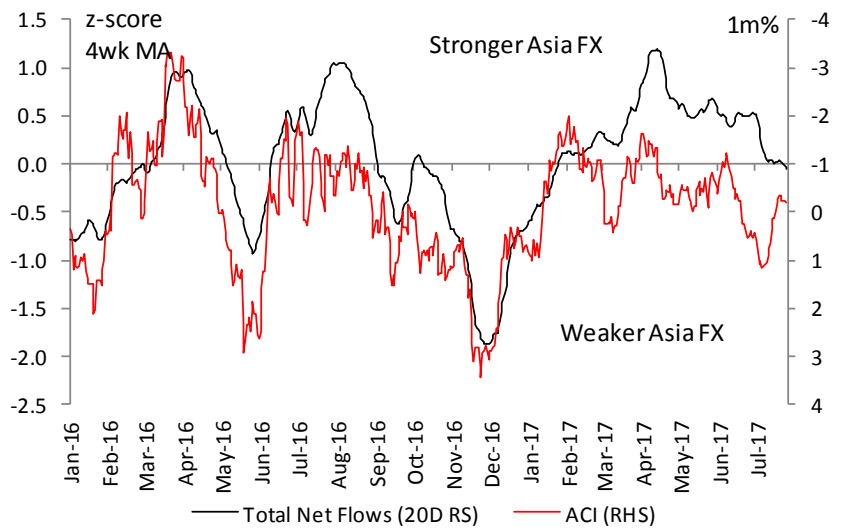
Source: OCBC Bank

USD-Asia VS. Net Capital Flows

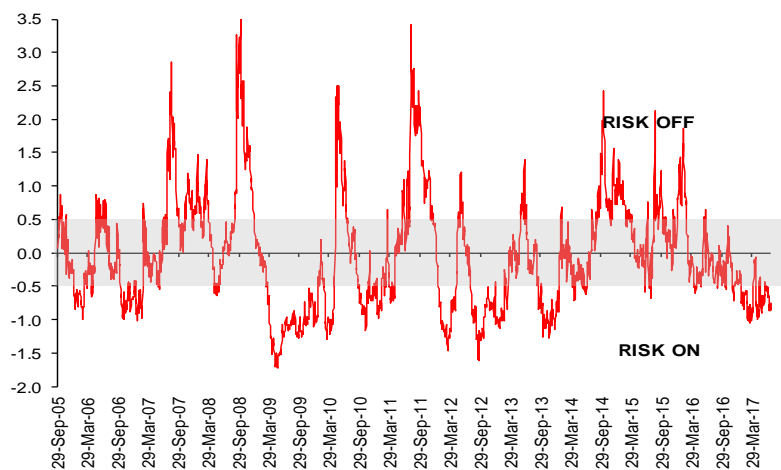




ACI VS. Net Capital Flows



FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1	0.519	0.915	-0.878	-0.934	-0.811	0.886	-0.757	0.716	0.782	0.944	-0.988
SGD	0.973	0.509	0.951	-0.92	-0.959	-0.844	0.889	-0.817	0.772	0.832	0.98	-0.944
THB	0.952	0.518	0.935	-0.896	-0.921	-0.816	0.893	-0.75	0.717	0.858	0.933	-0.915
CNH	0.944	0.526	0.973	-0.908	-0.952	-0.866	0.867	-0.815	0.767	0.818	1	-0.903
KRW	0.932	0.59	0.96	-0.938	-0.955	-0.787	0.884	-0.75	0.828	0.877	0.948	-0.88
MYR	0.923	0.488	0.936	-0.854	-0.899	-0.749	0.863	-0.749	0.713	0.781	0.924	-0.882
CAD	0.919	0.365	0.884	-0.935	-0.937	-0.799	0.731	-0.707	0.825	0.697	0.922	-0.884
CNY	0.915	0.558	1	-0.889	-0.932	-0.837	0.852	-0.778	0.734	0.84	0.973	-0.86
JPY	0.886	0.766	0.852	-0.771	-0.811	-0.652	1	-0.693	0.644	0.889	0.867	-0.85
CCN12M	0.877	0.335	0.927	-0.901	-0.933	-0.857	0.702	-0.791	0.74	0.739	0.929	-0.837
INR	0.826	0.47	0.858	-0.841	-0.864	-0.656	0.696	-0.549	0.775	0.702	0.847	-0.772
IDR	0.806	0.851	0.916	-0.897	-0.885	-0.763	0.896	-0.657	0.819	0.924	0.911	-0.712
CHF	0.651	0.697	0.62	-0.543	-0.576	-0.379	0.693	-0.191	0.468	0.586	0.532	-0.638
TWD	0.623	0.55	0.783	-0.662	-0.723	-0.595	0.766	-0.727	0.59	0.815	0.737	-0.552
USGG10	0.519	1	0.558	-0.514	-0.503	-0.219	0.766	-0.194	0.544	0.744	0.526	-0.469
PHP	-0.406	-0.342	-0.443	0.448	0.46	0.436	-0.286	0.165	-0.313	-0.338	-0.451	0.375
GBP	-0.727	-0.432	-0.772	0.618	0.704	0.674	-0.794	0.733	-0.472	-0.684	-0.819	0.676
NZD	-0.921	-0.489	-0.829	0.828	0.844	0.788	-0.903	0.821	-0.654	-0.819	-0.883	0.914
AUD	-0.953	-0.559	-0.965	0.946	0.966	0.869	-0.867	0.806	-0.804	-0.86	-0.974	0.917
EUR	-0.988	-0.469	-0.86	0.827	0.895	0.796	-0.85	0.753	-0.648	-0.729	-0.903	1

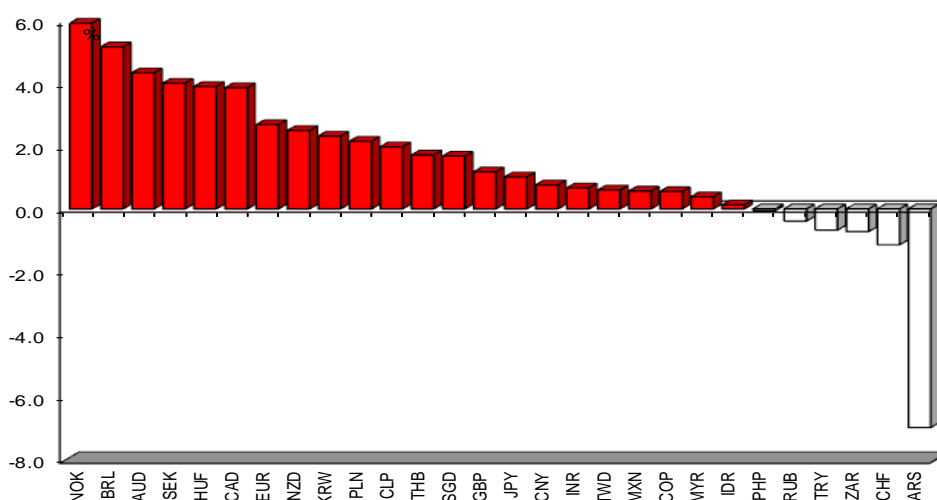
Source: Bloomberg

Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1340	1.1600	1.1682	1.1700	1.1763
GBP-USD	1.2893	1.3000	1.3076	1.3100	1.3138
AUD-USD	0.7634	0.7900	0.7967	0.8000	0.8066
NZD-USD	0.7244	0.7400	0.7487	0.7500	0.7520
USD-CAD	1.2414	1.2500	1.2551	1.2600	1.3072
USD-JPY	110.62	111.00	111.15	111.62	112.00
USD-SGD	1.3522	1.3543	1.3593	1.3600	1.3784
EUR-SGD	1.5629	1.5800	1.5879	1.5900	1.5941
JPY-SGD	1.2112	1.2200	1.2229	1.2262	1.2300
GBP-SGD	1.7700	1.7772	1.7774	1.7800	1.7934
AUD-SGD	1.0588	1.0800	1.0829	1.0900	1.0933
Gold	1234.37	1251.00	1258.90	1268.02	1274.70
Silver	15.44	16.50	16.56	16.60	16.68
Crude	46.80	48.90	48.98	49.00	49.17

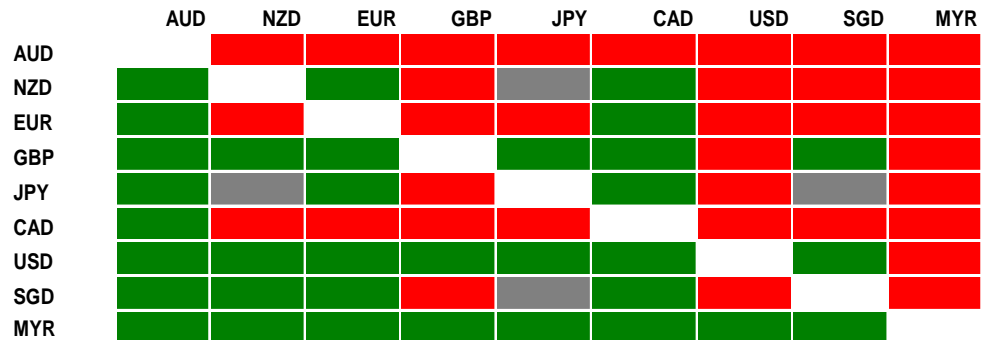
Source: OCBC Bank

FX performance: 1-month change agst USD



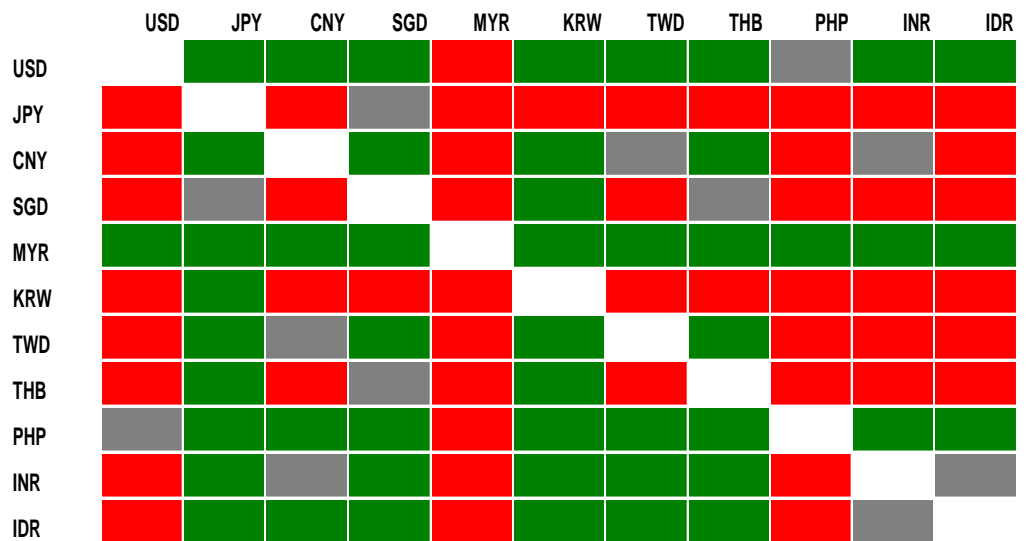
Source: Bloomberg

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	04-Jul-17	B	EUR-USD	1.1346	1.1965	1.1645	Draghi's change of stance in late June may further fuel the EUR		
3	13-Jul-17	B	AUD-USD	0.7708	0.8175	0.7935	Vulnerable USD, improving risk appetite, supportive China data		
4	18-Jul-17	S	USD-SGD	1.3671	1.3535	1.3740	Vulnerable USD, implicit inflow for SGD		
STRUCTURAL									
5	09-May-17	B	GBP-USD	1.2927	1.3500	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish		
6	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		
7	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		
8	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		
9	20-Jul-17		Bullish 2M 1X1.5 AUD-USD Call Spread Spot ref: 0.7915; Strikes: 0.7909, 0.8111; Exp: 21/09/17; Cost: 0.65%				More positive than expected RBA minutes, supportive data, weak USD		
RECENTLY CLOSED TRADE IDEAS									
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)		
1	16-May-17	29-Jun-17	S	AUD-USD	0.7407	0.7670	Global reflation plays to continue to wobble?	-3.46	
2	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	
3	17-Jul-17	20-Jul-17	B	GBP-USD	1.3077	1.2935	BOE rhetoric and vulnerable USD	-1.11	
4	28-Jun-17	21-Jul-17	B	USD-JPY	112.31	114.80	111.05	Yield differential argument supportive of the USD-JPY	-1.04
* realized **of notional							Jan-Jun 2017 Return	-13.02	
							2016 Return	+6.91	

Source: OCBC Bank

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