

**Thursday, November 30, 2017****FX Themes/Strategy/Trading Ideas**

- Except against the GBP, rebounding US yields (curve bear steepened from the back-end) led the dollar higher against the majors amid supportive rate differential dynamics despite concomitant firming yields in the EZ, UK, and Canada.
- Apart from background optimism ahead of Thursday's (expected) Senate vote on the tax bill, the greenback also found support from US 3Q GDP numbers (note core PCE deflator at a higher than expected +1.4% qoq) and October new home sales figures.
- Elsewhere, the cyclicals continued to underperform across G10 space on a soggy commodity/equity complex with this trait continuing to gain traction in recent sessions.
- Going ahead, expect some USD positivity to be attached to a possible Senate vote on the tax reform bill today, after it voted to begin formal debate on the bill late Wednesday. On a somewhat complementary basis, we'd also continue to remain wary the cyclicals. Overall, the verdict is still out there on whether the DXY will be able to base build off the 93.00 handle with investors likely to trade off specific idiosyncrasies instead of big macro in the near term.
- Apart from the global data feed, Fed speak today includes Quarles (1730 GMT) and Kaplan (1800 GMT) while ECB appearances include Mersch (0800 GMT) and Praet (1000 GMT). Ones to watch from the global data feed include German November CPI (1000 GMT) and US October core PCE deflator (1330 GMT), Chicago PMI (1445 GMT).

**Asian FX**

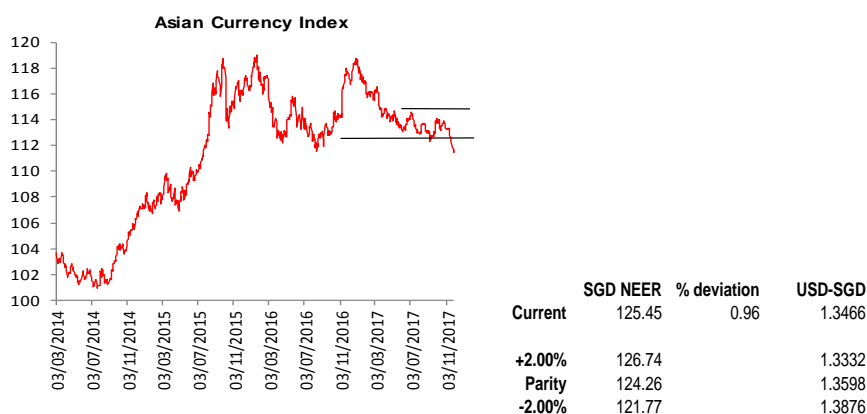
- EX FX also by and large retreated against the USD on Wednesday with Asian FX following suit overnight (note EM equities softening). With equity (tech sector) weighing into Asia on Thursday, expect Asian FX to refrain from excessive gains in the interim. With the **FXSI (FX Sentiment Index)** capitulating higher within **Risk-On** territory, the **ACI (Asian Currency Index)** may attempt to bottom out for now.
- On the net portfolio inflow front, we are seeing some moderation again on a 1M rolling basis for the KRW while the situation for Taiwan has also reverted to a net outflow environment. Net inflow momentum for the INR, IDR and THB and IDR continue to strengthen. Overall, on a relative basis, a slight tilt

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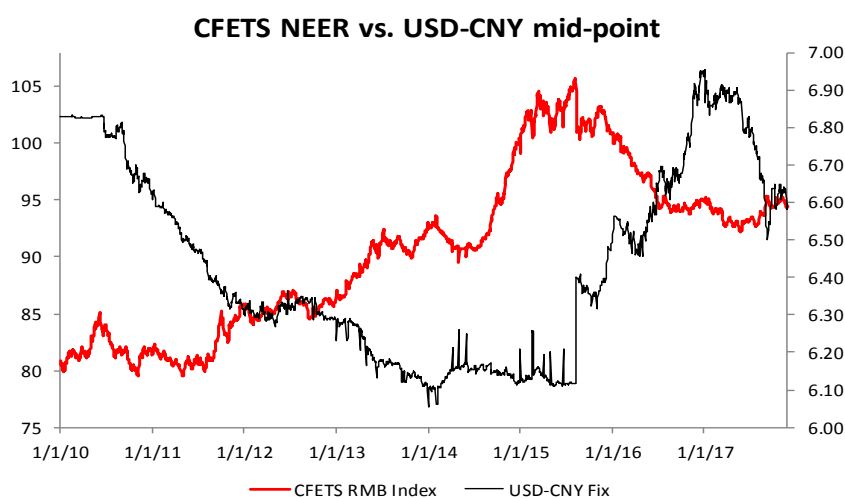
in favor of the southern currencies at this juncture may continue to develop.

- The **Bank of Korea** this morning hiked by 25bps to 1.50% as widely expected (but note one dissenter for a hold) and as we hazarded previously, the central bank didn't disappoint by steadfastly remaining neutral (Will maintain its accommodative stance), as opposed to turning hawkish. One-and-done for now we think and this should wash out the overly hawkish investors in the short term.
- **SGD NEER:** The SGD NEER is lower on the day at around +0.93% above its perceived parity (1.3598) and with NEER-implied USD-SGD thresholds essentially unchanged on the day. The +1.05% (1.3457) threshold is expected to lend initial support to the USD-SGD with +0.90% (1.3491) may limit on upticks pending further external headlines.



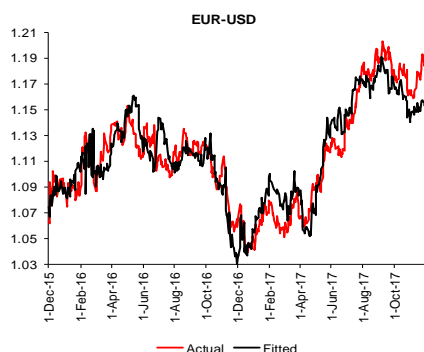
Source: OCBC Bank

- **CFETS RMB Index:** This morning, the USD-CNY mid-point firmed (largely as expected) to 6.6034 from 6.6011, pushing the CFETS RMB Index lower again to 94.37 from 94.38 yesterday.



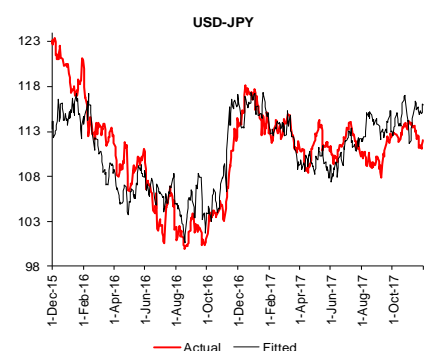
Source: OCBC Bank, Bloomberg

## G7



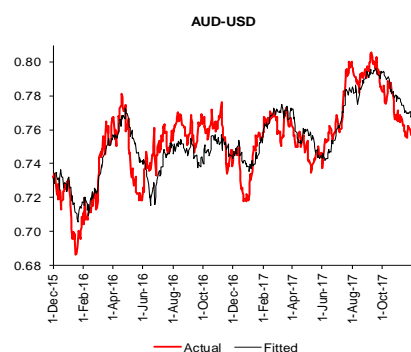
Source: OCBC Bank

- **EUR-USD** Short term implied valuations for the EUR-USD are attempting to consolidate in the near term and markets may be attempting to base build off the 1.1800 handle in the interim pending US tax bill/German political headlines and potential ECB-speak later today.



Source: OCBC Bank

- **USD-JPY** Rate differential arguments are translating to firmer short term implied valuations at this juncture. As such, with risk appetite levels still somewhat supported, expect an attempt to base out at the 200-day MA (111.69) in the very short term with 112.15 likely to offer initial resistance.



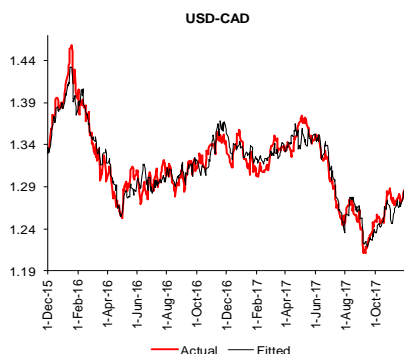
Source: OCBC Bank

- **AUD-USD** October private sector credit and 3Q private capital expenditure numbers came in within expectations while improving China November PMIs are unlikely to grant the likes of the AUD much leverage in the current environment. With US yields attempting to re-exert their influence, short term implied valuations remain downcast with 0.7530/50 now in the market's sights.



Source: OCBC Bank

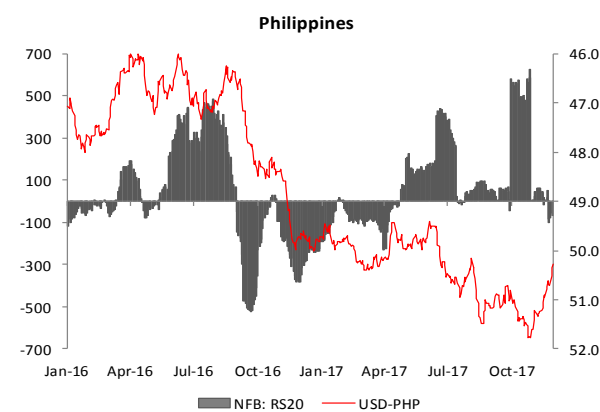
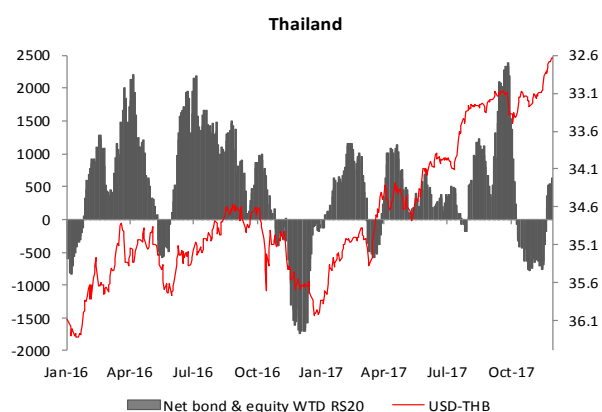
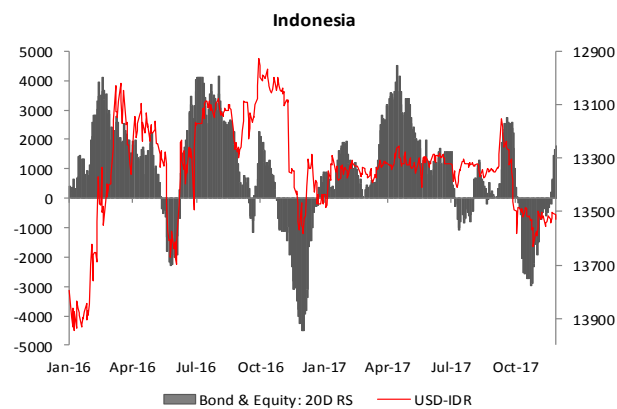
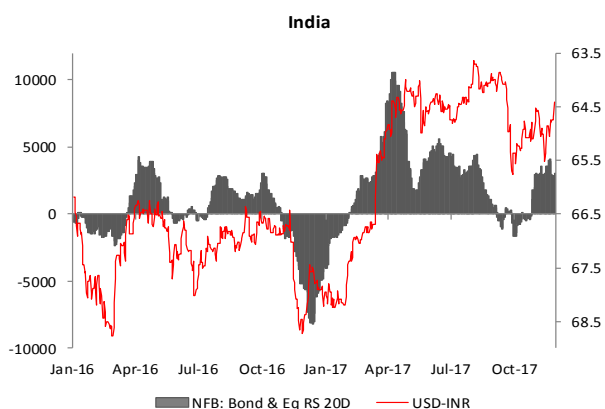
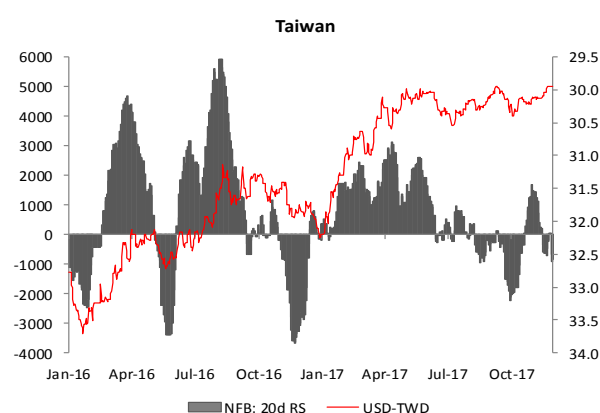
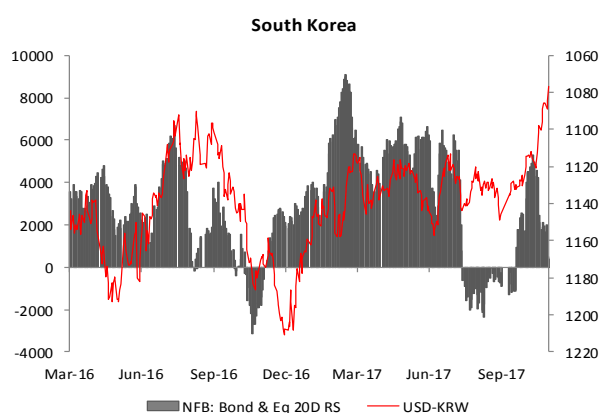
- **GBP-USD** The GBP on Wednesday continued to be buttressed by positivity surrounding expected progress in Brexit negotiations. Although we remain slightly cautious that this current bout of optimism may well prove to be vapor-ware, short term implied valuations are however bottoming. Overall, expect the market to collect within 1.3340-1.3500.

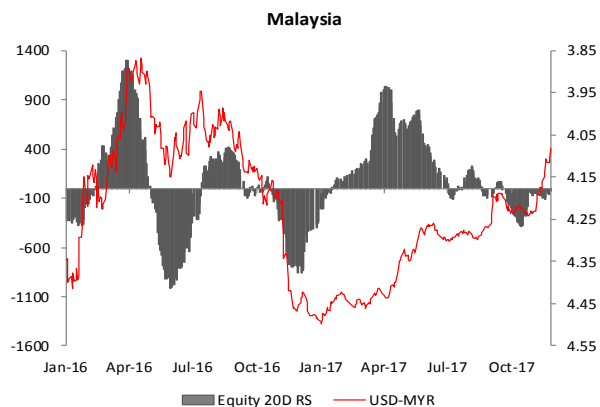


- **USD-CAD** With carry benched and equities/commodities slightly wobbly, a more supportive US yield environment squares with firming short term implied valuations at this juncture. Preference to collect into dips within 1.2830-1.2900 in the near term.

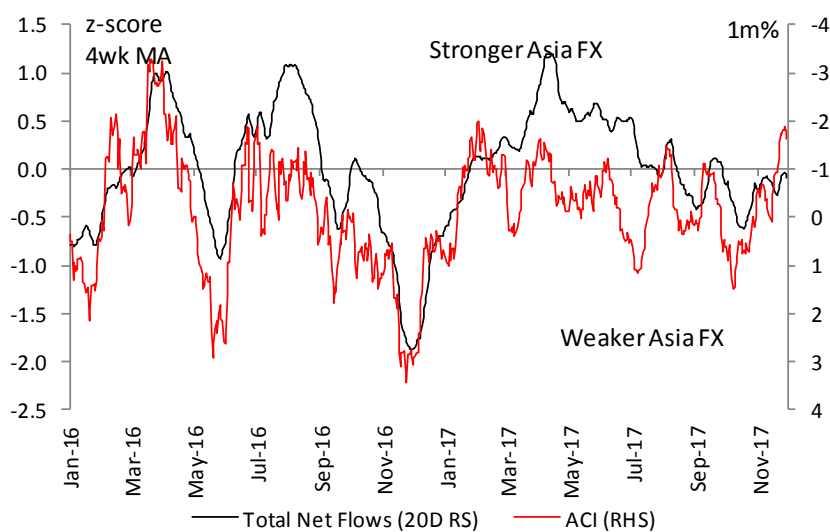
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows

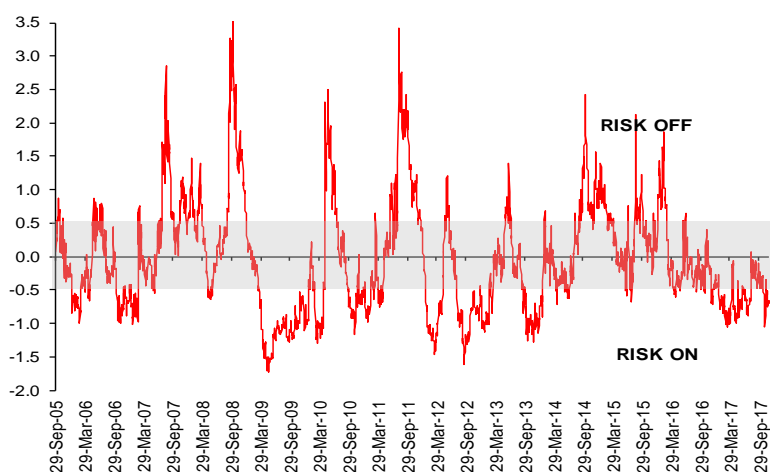




### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

**1M Correlation Matrix**

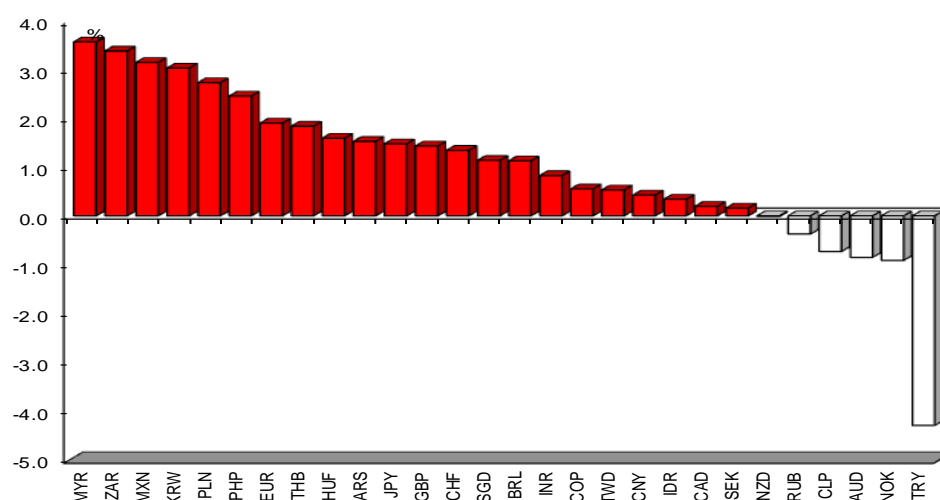
Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRTEX	CNH	EUR
DXY	1	0.059	0.634	-0.516	-0.496	-0.22	0.948	-0.584	-0.144	-0.462	0.618	-0.988
CHF	0.98	0.169	0.597	-0.507	-0.55	-0.326	0.949	-0.664	-0.121	-0.468	0.606	-0.957
SGD	0.951	0.146	0.768	-0.676	-0.588	-0.29	0.948	-0.633	0.057	-0.277	0.749	-0.917
JPY	0.948	0.216	0.644	-0.58	-0.607	-0.321	1	-0.669	0.01	-0.392	0.636	-0.905
MYR	0.938	-0.025	0.583	-0.666	-0.589	-0.28	0.936	-0.619	-0.083	-0.426	0.541	-0.903
TWD	0.9	0.121	0.694	-0.737	-0.617	-0.273	0.934	-0.631	0.197	-0.172	0.695	-0.855
THB	0.896	0.044	0.621	-0.745	-0.577	-0.264	0.916	-0.612	0.071	-0.286	0.596	-0.864
KRW	0.871	0.147	0.673	-0.769	-0.594	-0.272	0.904	-0.613	0.175	-0.147	0.685	-0.831
PHP	0.868	0.017	0.618	-0.728	-0.421	-0.071	0.897	-0.499	0.055	-0.185	0.595	-0.825
AUD	0.662	-0.165	0.116	-0.275	-0.217	0.057	0.659	-0.271	-0.381	-0.613	0.062	-0.675
CNY	0.634	0.275	1	-0.418	-0.344	0.006	0.644	-0.252	0.24	0.099	0.937	-0.63
CNH	0.618	0.414	0.937	-0.491	-0.378	-0.048	0.636	-0.318	0.432	0.232	1	-0.606
IDR	0.385	0.444	0.134	-0.604	-0.524	-0.669	0.463	-0.74	0.335	0.044	0.227	-0.325
NZD	0.369	-0.275	0.061	0.137	0.06	0.518	0.342	0.192	-0.283	-0.371	0.045	-0.415
CCN12M	0.328	0.341	0.687	-0.149	-0.223	0.304	0.403	0.093	0.332	0.123	0.744	-0.339
INR	0.231	0.339	0.603	-0.606	-0.12	-0.092	0.315	-0.201	0.666	0.668	0.667	-0.179
USGG10	0.059	1	0.275	-0.119	-0.282	-0.316	0.216	-0.303	0.382	0.191	0.414	-0.031
CAD	-0.01	0.341	-0.175	0.121	-0.511	-0.625	0.037	-0.41	-0.066	-0.392	-0.134	0.036
GBP	-0.788	0.126	-0.585	0.631	0.404	0.17	-0.771	0.465	-0.101	0.07	-0.571	0.734
EUR	-0.988	-0.031	-0.63	0.439	0.409	0.114	-0.905	0.494	0.214	0.498	-0.606	1

Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1755	1.1800	1.1866	1.1900	1.1961
GBP-USD	1.3400	1.3437	1.3472	1.3480	1.3500
AUD-USD	0.7532	0.7535	0.7590	0.7600	0.7690
NZD-USD	0.6793	0.6800	0.6845	0.6900	0.6970
USD-CAD	1.2800	1.2859	1.2861	1.2900	1.2917
USD-JPY	111.00	111.66	111.98	112.00	112.77
USD-SGD	1.3404	1.3435	1.3473	1.3500	1.3564
EUR-SGD	1.5900	1.5946	1.5987	1.6000	1.6066
JPY-SGD	1.2000	1.2028	1.2032	1.2100	1.2126
GBP-SGD	1.8061	1.8100	1.8151	1.8153	1.8200
AUD-SGD	1.0176	1.0200	1.0226	1.0300	1.0478
Gold	1268.29	1271.19	1283.80	1284.26	1297.31
Silver	16.00	16.30	16.50	16.55	16.96
Crude	55.03	57.40	57.41	57.50	58.97

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	07-Nov-17	S	AUD-USD	0.7671	0.7510	0.7755	RBA on hold, no inflation or rate hike urgency	
2	20-Nov-17	S	USD-JPY	112.07	109.80	113.25	Background risk aversion, little expectaions of hawkish surprises from the Fed	
3	21-Nov-17	S	USD-SGD	1.3561	1.3415	1.3640	Little contagion in geopolitical risks, sanguine portfolio inflow environment, expected USD	
4	24-Nov-17	B	EUR-USD	1.1868	1.2085	1.1755	Supportive EZ data stream, German political concerns on hold, near term USD vulnerability	
5	27-Nov-17	B	GBP-USD	1.3344	1.3655	1.3185	Investors may imputeBrexit talks in December. Prevailing USD weakness.	
	STRUCTURAL							
6	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
7	07-Nov-17		Bullish 2M 1X2 USD-JPY Call Spread 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	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
2	21-Sep-17	15-Nov-17	B	USD-JPY	112.58	113.13	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	+0.73
3	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
4	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
5	07-Nov-17	22-Nov-17	S	GBP-USD	1.3142	1.3300	Potential negative headline shock from upcoming BOE appearances post the dovish rate hike	-1.14
6	28-Sep-17	24-Nov-17	B	USD-CAD	1.2500	1.2725	Reality check from the BOC's Poloz even as the USD garners renewed interest	+1.80
							Jan-Nov*** 2017 Return	-11.09
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank



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