

Tuesday, March 20, 2018

**FX Themes/Strategy/Trading Ideas**

- The dollar faded lower against most of the majors on Monday despite firmer US yields and despite supportive aggregated rate differentials. The EUR meanwhile received a boost after a wire report indicated that the debate within the ECB is shifting from bond purchases to policy rate trajectory.
- With global (and EM) equities in the red on Monday with techs leading the way lower, the **FXSI (FX Sentiment Index)** inched higher within Risk-Neutral territory and may run the risk of venturing into Risk-Off territory if investors remain nervous.
- Overall, amid ongoing concerns with regards to the US administration as well as the potential for heightened global trade tensions, expect investor sentiment to remain fragile intra-day (continue to watch equities as a barometer) and ahead of the FOMC tomorrow (hawkish expectations continue to accumulate). In the interim, remain constructive on the GBP-USD and USD-CAD, while continuing to fade upticks in the AUD-USD.
- Today, the calendar includes RBA meeting minutes (0030 GMT) and the RBA's Bullock (0415 GMT), while UK Feb CPI (0930 GMT), and German March ZEW (1000 GMT) are on tap.

**Asian FX**

- Asian net portfolio flows meanwhile show some pullback in net bond inflows for South Korea with net equity flows now neutral after bottoming out recently. Elsewhere, net equity outflows for Taiwan continue to bottom out. Net bond flows for India remain in outflow territory with no indication of a recovery, although equity flows have re-emerged. Despite this, the INR may however remain vulnerable to fragile risk appetite across Asia.
- For Indonesia, the recent step bond outflows are attempting to reverse but may have to be predicated on broader EM/Asian sentiment. For Thailand, net bond flows have bounced smartly into inflow territory while net equity outflows have compressed significantly in the past week – THB supportive.
- For today, the **ACI (Asian Currency Index)** may be slightly top heavy on the back of USD vulnerability but the downside should be tempered by potential risk aversion. Expect recent ranges to continue to govern for most of the regional pairs although the **USD-INR** may continue to push the envelope on the upside (note deteriorating 4Q current account deficit).

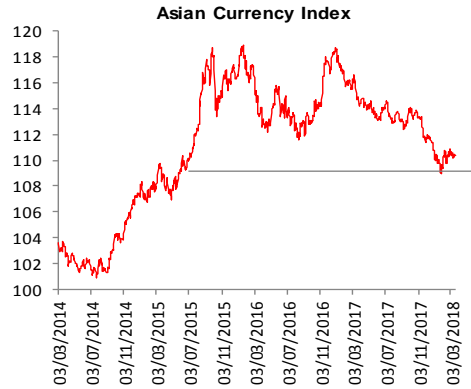
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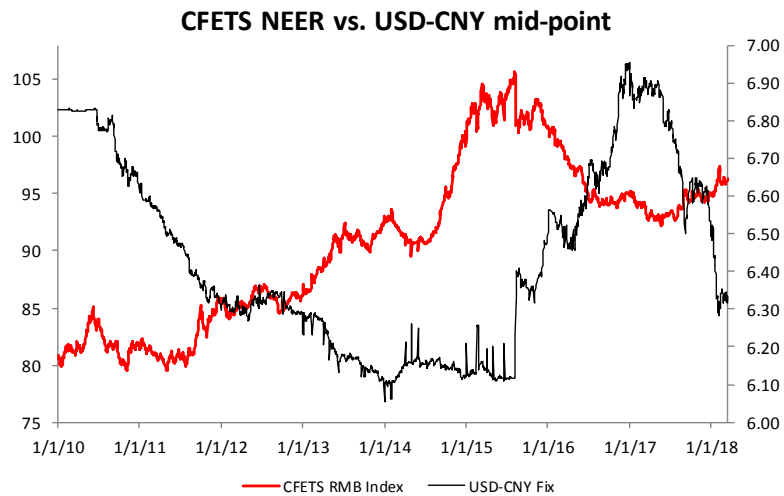
- SGD NEER:** The SGD NEER is firmer on the day at around +0.42% above its perceived parity (1.3209) with the basket expected to be within +0.20% (1.3183) and +0.50% (1.3144). Technically, the 55-day MA (1.3193) may continue to cap, with initial support seen on approach of 1.3120.



	SGD NEER	% deviation	USD-SGD
Current	124.79	0.42	1.3153
+2.00%	126.74		1.2950
Parity	124.26		1.3209
-2.00%	121.77		1.3478

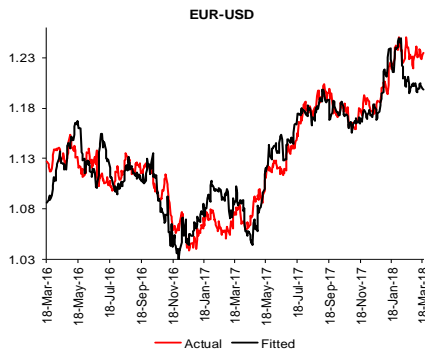
Source: OCBC Bank

- CFETS RMB Index:** The USD-CNY mid-point fell (slightly less than expected) to 6.3246 from 6.3320 yesterday. This firmed the CFETS RMB Index to 96.27 from 96.21.



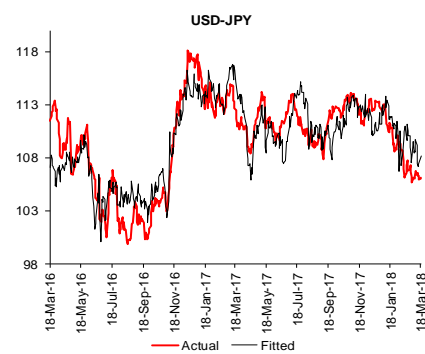
Source: OCBC Bank, Bloomberg

**G7**



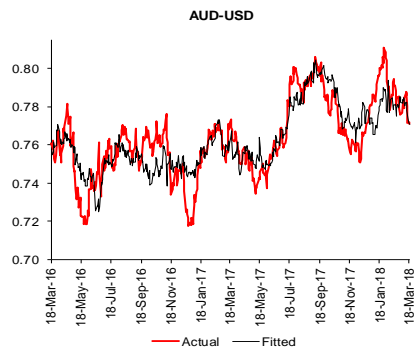
Source: OCBC Bank

- EUR-USD** Near term support may be had from the latest ECB murmurings although short term implied valuations remain flat lined at this juncture. In the interim, the 55-day MA (1.2290) may continue to anchor the pair within 1.2230-1.2400.



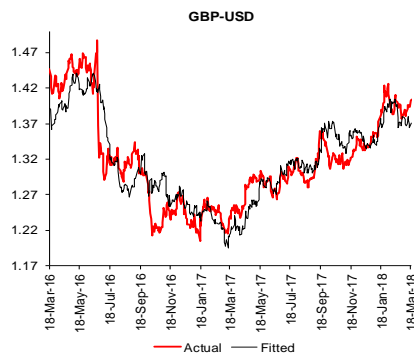
Source: OCBC Bank

- USD-JPY** Despite continuous rhetoric out of the BOJ, the USD-JPY may continue to pay heed to US-centric (White House or Fed) forces instead. While short term implied valuations have ticked higher the pair may continue orbit 106.00 ahead of the FOMC.



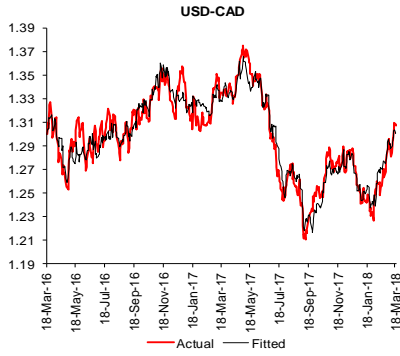
Source: OCBC Bank

- AUD-USD** RBA meeting minutes this morning hardly left an indelible impact on the AUD-USD. We continue to stay negative on the pair in light of the current risk appetite environment with short term implied valuations still laden. A breach of 0.7700 threatens 0.7630.



Source: OCBC Bank

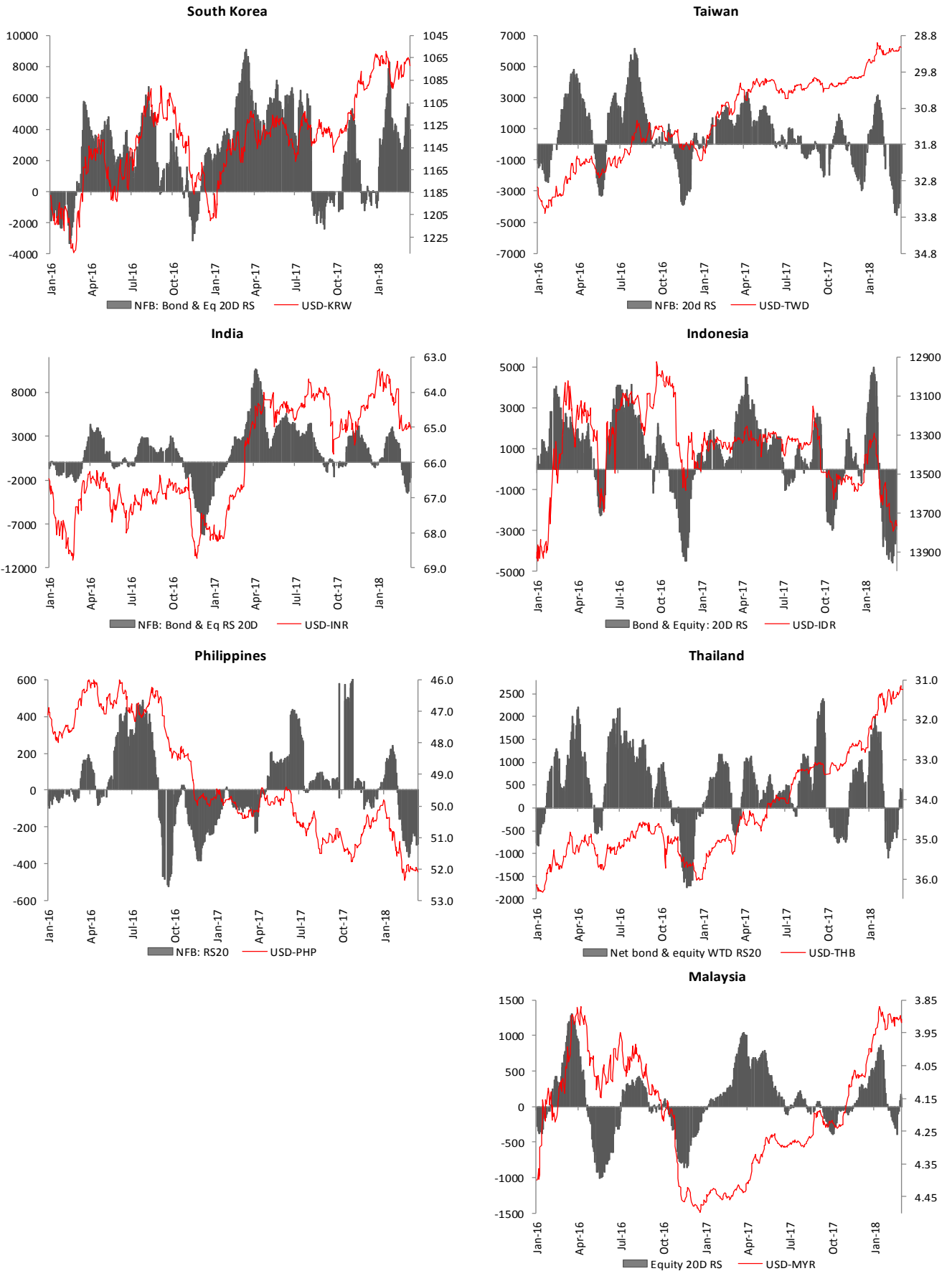
- GBP-USD** GBP was lifted on Monday after reports indicated that a transition deal had been reached (earlier than markets had expected) between Britain and the EU. Watch for headlines out of the EU Summit on Thursday for further clarity. In the interim, short term implied valuations continue to attempt to bottom out and the pair may remain supported within the 55-day MA (1.3900) and 1.4100 up top ahead of the FOMC/BOE.



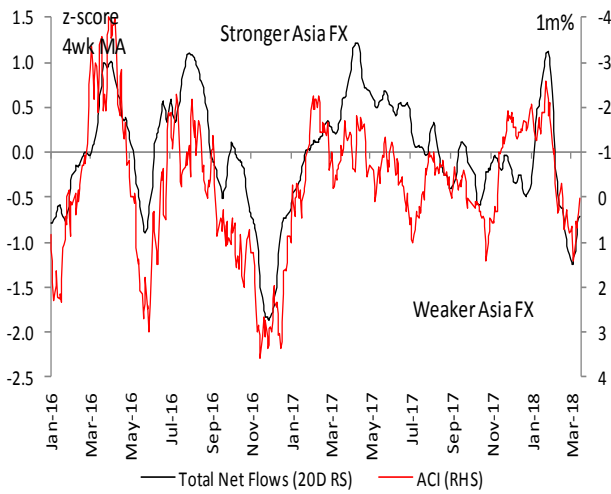
- USD-CAD** Short term implied valuations for the USD-CAD may remain oriented to the upside given the current air of uncertainty (implied BOC rate hike odds have faded slightly). Watch for G20 headlines today (especially with regards to trade protectionism) and investors may continue to bottom fish within 1.300-1.3200.

Source: OCBC Bank

**USD-Asia VS. Net Capital Flows**

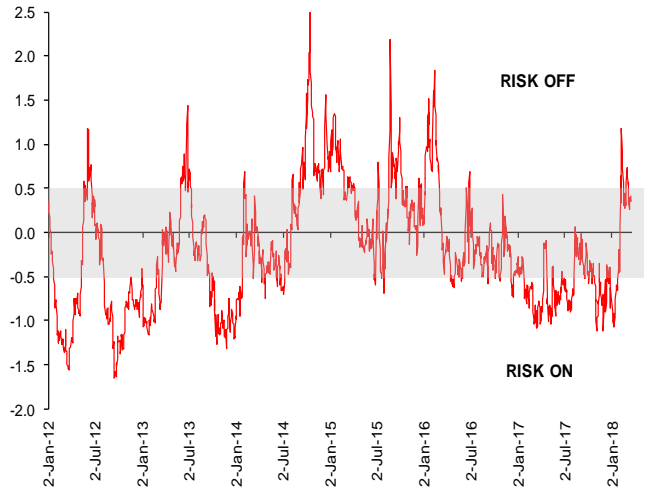


**ACI VS. Net Capital Flows**



Source: OCBC Bank

**FX Sentiment Index**



Source: OCBC Bank

**1M Correlation Matrix**

	DXY	USGG10	CNY	SPX	MSELCPFF	CRY	JPY	CL1	VIX	ITRXXE	CNH	EUR
DXY	1.000	-0.158	0.275	-0.118	0.125	-0.159	0.059	-0.056	0.166	0.022	0.530	-0.889
SGD	0.633	0.368	0.448	-0.575	-0.280	-0.025	0.388	0.265	0.616	0.572	0.552	-0.779
MYR	0.615	-0.251	0.524	-0.396	0.096	-0.222	-0.060	0.044	0.347	0.184	0.453	-0.598
CNH	0.530	0.102	0.788	-0.543	-0.310	-0.462	0.049	-0.438	0.477	0.219	1.000	-0.449
CHF	0.455	-0.419	-0.176	0.400	0.415	-0.450	-0.416	-0.438	-0.465	-0.720	0.115	-0.143
INR	0.432	-0.188	0.573	-0.200	-0.250	-0.258	-0.492	-0.320	0.136	-0.171	0.370	-0.227
IDR	0.402	-0.408	0.117	0.161	0.025	-0.117	-0.685	-0.473	-0.295	-0.391	0.206	-0.013
CAD	0.300	-0.503	-0.094	0.055	0.207	-0.338	-0.683	-0.398	-0.194	-0.554	0.076	0.059
CNY	0.275	0.041	1.000	-0.596	-0.484	-0.182	-0.274	-0.141	0.459	0.436	0.788	-0.252
KRW	0.230	0.494	0.565	-0.641	-0.568	0.328	0.142	0.418	0.588	0.801	0.349	-0.342
JPY	0.059	0.590	-0.274	0.100	0.174	0.113	1.000	0.330	0.105	0.181	0.049	-0.336
THB	-0.050	0.782	0.587	-0.483	-0.639	0.273	0.424	0.303	0.501	0.772	0.441	-0.135
TWD	-0.105	0.071	0.508	-0.139	-0.477	0.392	-0.090	0.017	0.156	0.458	0.295	0.125
USGG10	-0.158	1.000	0.041	-0.120	-0.372	0.263	0.590	0.366	0.095	0.340	0.102	0.006
PHP	-0.441	0.304	-0.068	-0.158	-0.146	-0.433	0.325	-0.258	0.264	-0.117	-0.052	0.235
GBP	-0.655	0.113	-0.443	0.316	0.401	0.036	0.183	0.367	-0.289	-0.225	-0.517	0.452
AUD	-0.661	0.190	-0.398	0.467	0.078	0.286	0.429	0.030	-0.316	-0.051	-0.372	0.458
NZD	-0.776	0.254	-0.254	0.192	0.088	0.077	0.434	-0.003	-0.129	-0.026	-0.317	0.559
EUR	-0.889	0.006	-0.252	0.175	-0.200	0.161	-0.336	-0.164	-0.256	-0.187	-0.449	1.000

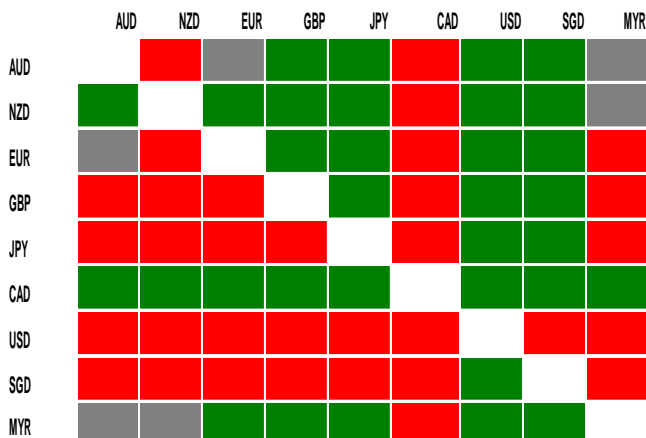
Source: Bloomberg

**Technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.2300	1.2316	1.2345	1.2400	1.2421
GBP-USD	1.3929	1.4000	1.4036	1.4054	1.4100
AUD-USD	0.7691	0.7700	0.7707	0.7800	0.7802
NZD-USD	0.7186	0.7200	0.7234	0.7289	0.7300
USD-CAD	1.2653	1.3000	1.3079	1.3100	1.3125
USD-JPY	105.51	106.00	106.20	107.00	107.43
USD-SGD	1.3085	1.3100	1.3147	1.3174	1.3200
EUR-SGD	1.6200	1.6227	1.6230	1.6300	1.6311
JPY-SGD	1.2265	1.2300	1.2379	1.2400	1.2468
GBP-SGD	1.8353	1.8400	1.8453	1.8490	1.8500
AUD-SGD	1.0100	1.0130	1.0132	1.0140	1.0200
Gold	1303.60	1308.00	1316.00	1330.89	1337.89
Silver	16.17	16.20	16.26	16.30	16.70
Crude	60.00	62.20	62.26	62.30	62.64

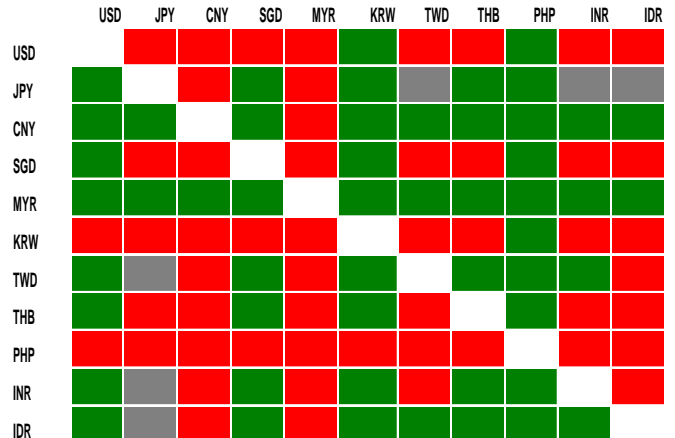
Source: OCBC Bank

**G10 FX Heat Map**



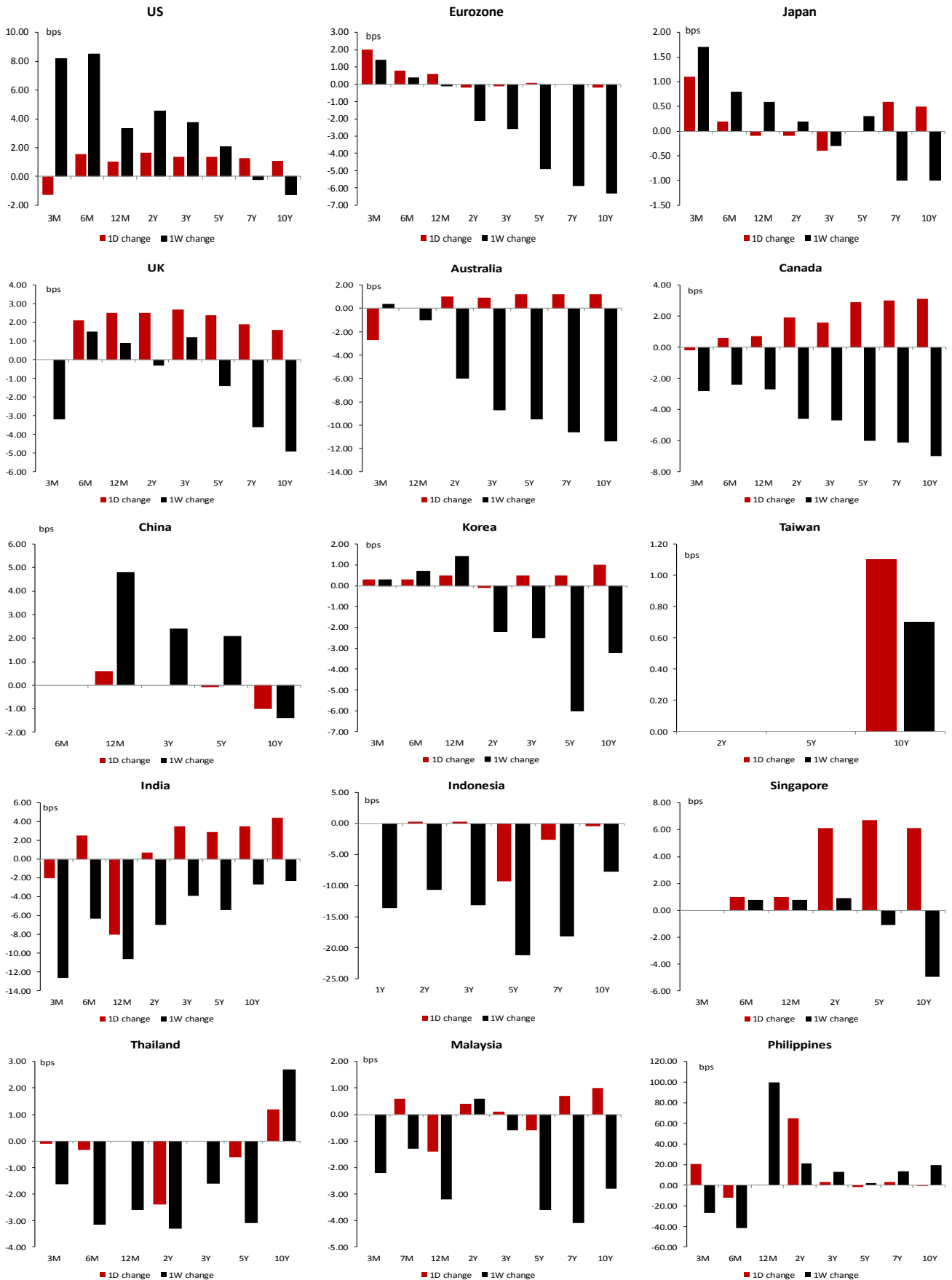
Source: OCBC Bank

**Asia FX Heat Map**



Source: OCBC Bank

**Government bond yield changes**



### FX Trade Ideas

Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>								
-	-	-	-	-	-	-	-	
<b>STRUCTURAL</b>								
1	19-Jan-18	B	EUR-USD	1.2274	1.2865	1.1975	ECB likely to alter its forward guidance into the spring	
2	31-Jan-18	S	USD-JPY	108.67	102.35	111.85	Market fixation on USD weakness, despite mitigating factors and the BOJ	
3	15-Feb-18	B	GBP-USD	1.4014	1.4855	1.3590	Borad dollar vulnerability coupled with hawkish BOE expectations.	
<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	09-Feb-18	15-Feb-18	B	USD-CAD	1.2600	1.2470	Softer crude and fragile appetite towards the cyclical	-1.03
2	22-Feb-18	09-Mar-18	B	USD-CAD	1.2696	1.2820	Post FOMC minutes, rising implied valuations for the pair	+0.99
3	06-Mar-18	12-Mar-18	S	AUD-USD	0.7765	0.7855	Non-hawkish RBA meeting outcome, vulnerability to USD resilience	-1.14
4	08-Mar-18	13-Mar-18	S	USD-JPY	106.00	106.85	White House policy uncertainty, risk aversion	-0.83

Source: OCBC Bank



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