

Tuesday, February 20, 2018

FX Themes/Strategy/Trading Ideas

- Apart from a slightly firmer USD-JPY (with the JPY also underperforming across G10), the other major currency pairs were relatively static on Monday with NY away on a long weekend. Risk appetite as measured by our **FXSI (FX Sentiment Index)** weakened slightly but the Index remained in Risk-Neutral territory. Note that the Index returned to Risk-Neutral territory since Friday and as mentioned previously, this may once again leave the USD vulnerable to implicit selling pressures. As noted yesterday, the raft of central bank appearances/minutes/testimonies this week may determine the next leg of the dollar's time path.
- Central bank appearances are scant today save for the RBNZ (2300 GMT) with data points including the German Feb ZEW (1000 GMT) and UK Feb CBI readings (1100 GMT), with the Asian calendar also bereft of 1st tier data releases.

Asian FX

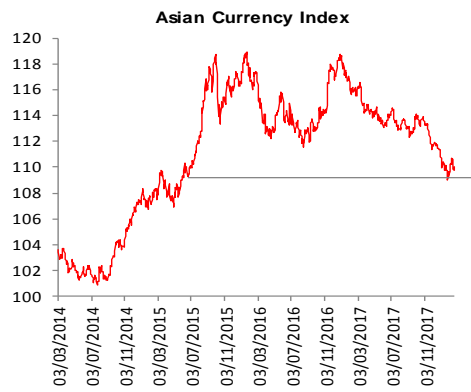
- EM equities were consolidative on Monday although EM FX put in a slightly mixed to weaker performance against the USD. Asian net portfolio inflow numbers denote some return of net bond inflows for the KRW and the IDR with some net inflow for equities with respect to the THB. However, negative Asian equities this morning (a carryover from the EZ on Monday) may keep the USD slightly underpinned during the current session. As such, the **ACI (Asian Currency Index)** may continue to bottom out in the interim.
- **SGD NEER:** The SGD NEER is softer this morning at around +0.21% above its perceived parity (1.3181) with NEER-implied USD-SGD thresholds higher on the day. Expect a +0.10% (1.3168) to +0.40% (1.3129) locus for the basket pending further external cues.

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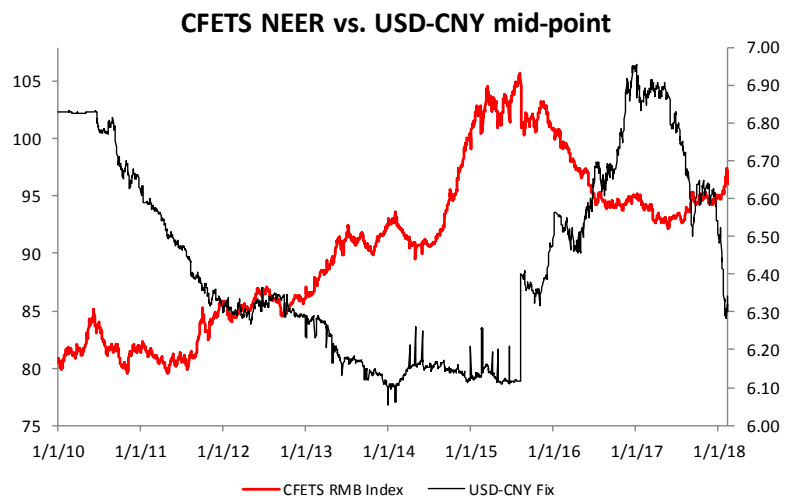
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	SGD NEER	% deviation	USD-SGD
Current	124.51	0.20	1.3154
+2.00%	126.74		1.2923
Parity	124.26		1.3181
-2.00%	121.77		1.3450

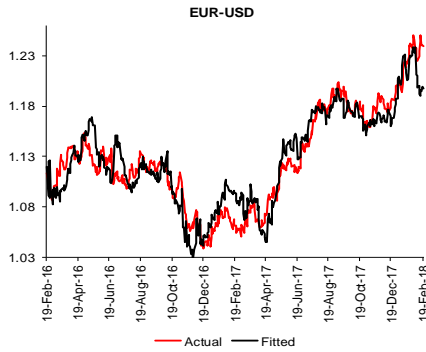
Source: OCBC Bank

- **CFETS RMB Index:** Public holiday.



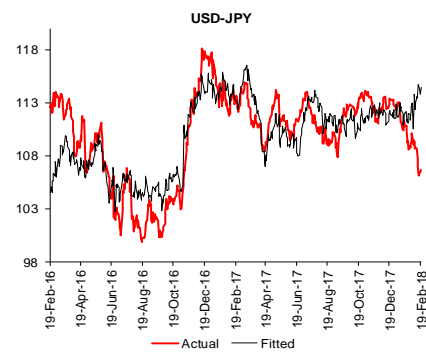
Source: OCBC Bank, Bloomberg

G7



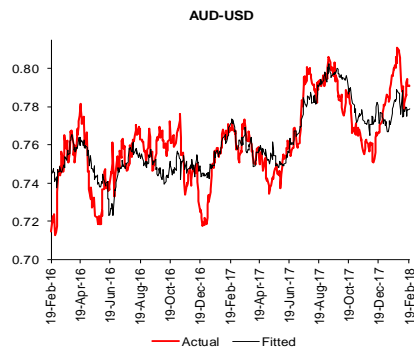
Source: OCBC Bank

- EUR-USD** Today, the postal ballot for the SPD vote on a possible coalition with the CDU in Germany commences with results due by early March. With little to drive the pair in the short term, short term implied valuations remain range bound and the EUR-USD may continue to be bordered by a 1.2350-1.2450 range in the interim amid a slightly top heavy posture.



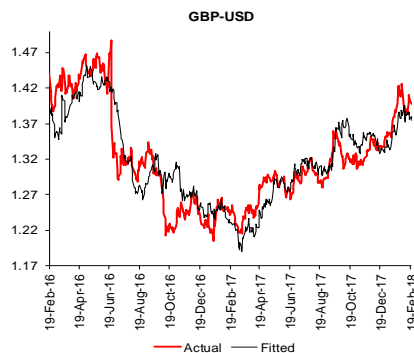
Source: OCBC Bank

- USD-JPY** Over the past week or so, chatter over structural dollar concerns (larger fiscal debt as a result of tax concerns plus widening current account deficit) have resurfaced. Position adjustments aside, this may continue to put a lid on the USD-JPY (watch also for equity negativity). Short term implied valuations for the USD-JPY are off recent highs and we'd prefer to stay top heavy within 106.00-107.40.



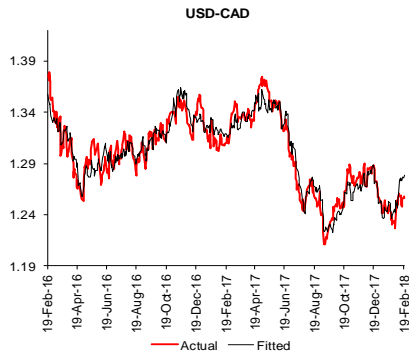
Source: OCBC Bank

- AUD-USD** RBA meeting minutes this morning granted little in the way of hawkish hints (as expected) while a moodier Asian equity complex this morning may also discourage the pair from searching aggressively higher. Despite still steady short term implied valuations, fade upticks within 0.7850-0.7950 for now.



Source: OCBC Bank

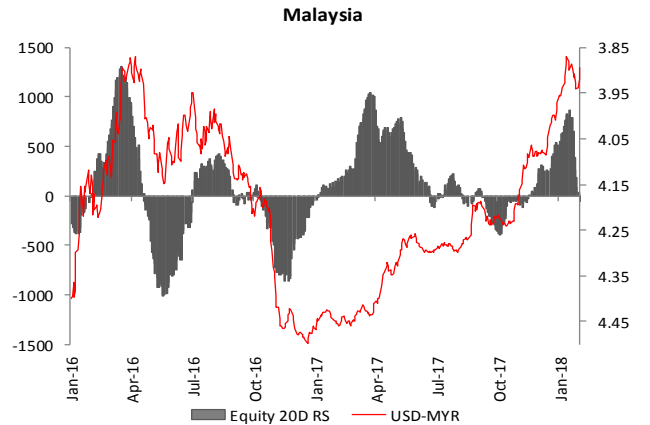
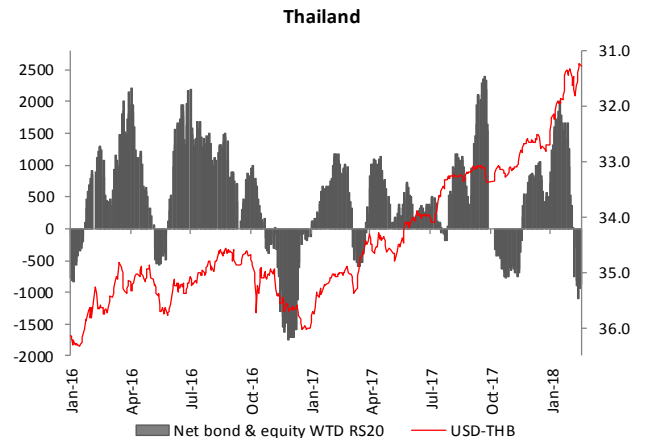
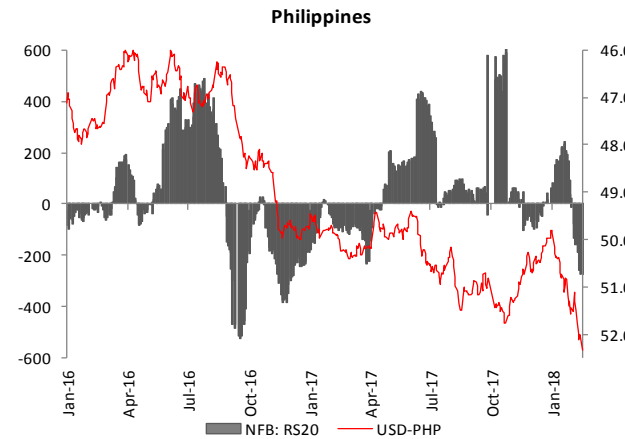
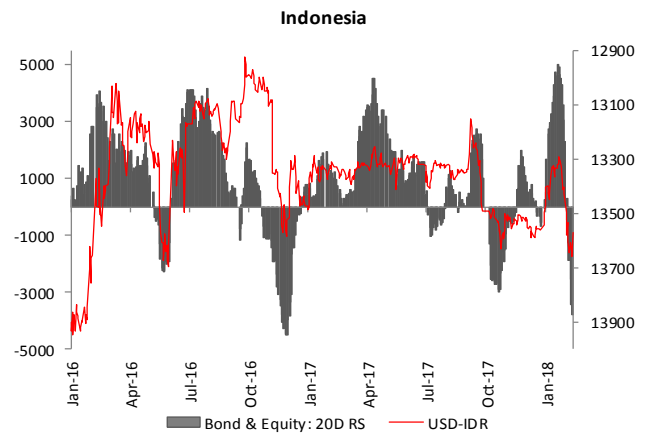
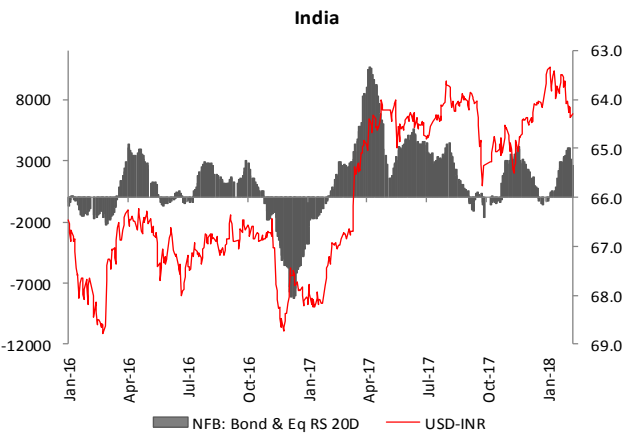
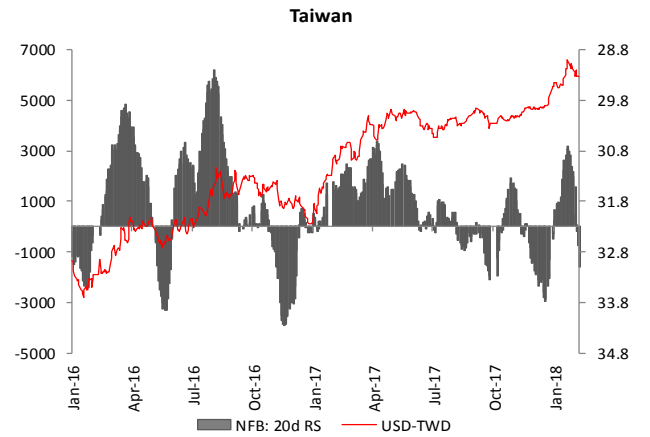
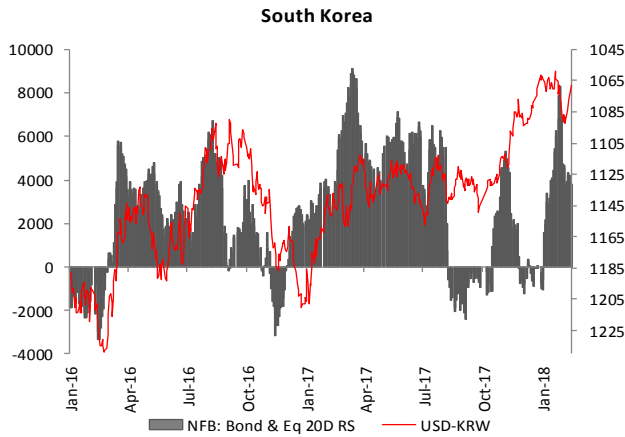
- GBP-USD** Slippery short term implied valuations and technicals may keep the GBP on a slightly defensive tone in the short term. As a result, the foothold at 1.4000 remains fragile at this juncture with potential risk towards 1.3920 in the near term.



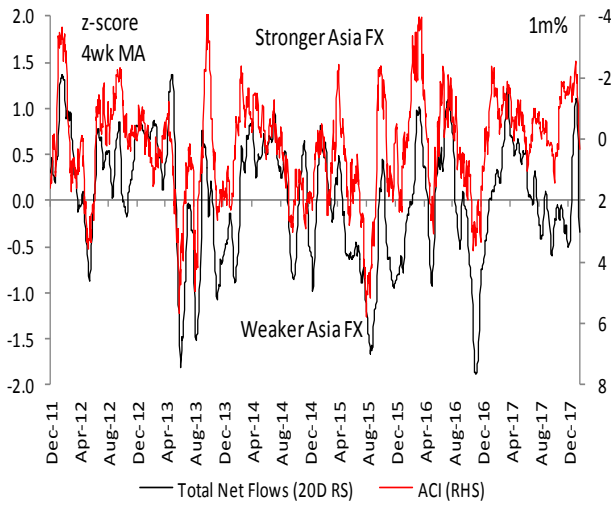
- USD-CAD** Short term implied valuations for the USD-CAD continue to inch higher and the pair may attempt to base build off its 55-day MA (1.2569) ahead of the raft of global central bank cues this week.

Source: OCBC Bank

USD-Asia VS. Net Capital Flows

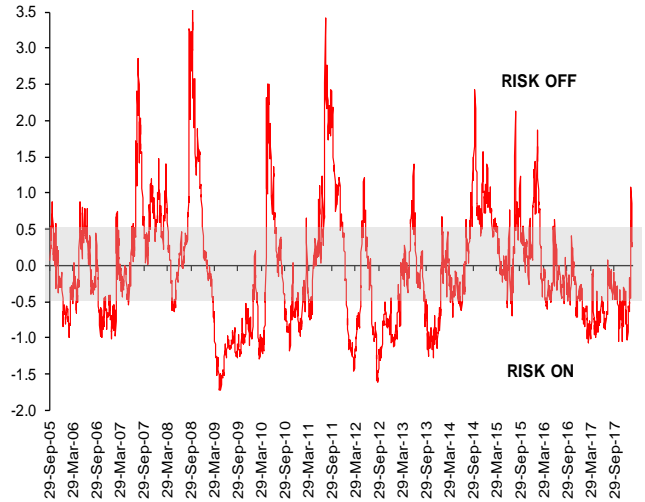


ACI VS. Net Capital Flows



Source: OCBC Bank

FX Sentiment Index



Source: OCBC Bank

1M Correlation Matrix

Security	DXYS	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRSEX	CNH	EUR
DXYS	1	-0.097	0.264	-0.45	-0.41	-0.524	0.468	-0.46	0.415	0.13	0.587	-0.973
THB	0.867	-0.229	0.553	-0.314	-0.231	-0.345	0.528	-0.287	0.255	-0.008	0.752	-0.83
SGD	0.819	0.322	-0.144	-0.81	-0.675	-0.735	0.233	-0.624	0.767	0.484	0.234	-0.779
MYR	0.734	0.225	0.278	-0.561	-0.613	-0.761	0.144	-0.75	0.378	0.461	0.339	-0.678
CHF	0.718	-0.6	0.738	0.234	0.207	0.083	0.7	0.1	-0.233	-0.449	0.862	-0.684
TWD	0.677	0.455	0.27	-0.649	-0.688	-0.737	-0.001	-0.716	0.524	0.589	0.28	-0.601
CNH	0.587	-0.58	0.888	0.231	0.294	0.133	0.53	0.107	-0.281	-0.424	1	-0.594
CAD	0.534	0.633	-0.101	-0.904	-0.891	-0.894	-0.407	-0.851	0.801	0.809	-0.061	-0.512
KRW	0.516	0.622	-0.417	-0.913	-0.8	-0.793	-0.041	-0.698	0.911	0.692	-0.239	-0.454
JPY	0.468	-0.655	0.239	0.316	0.437	0.38	1	0.483	-0.179	-0.657	0.53	-0.374
INR	0.422	0.737	-0.358	-0.859	-0.885	-0.841	-0.205	-0.739	0.756	0.777	-0.263	-0.36
CCN12M	0.36	0.43	-0.071	-0.4	-0.328	-0.386	0.157	-0.293	0.272	0.296	0.119	-0.291
CNY	0.264	-0.476	1	0.372	0.298	0.146	0.239	0.041	-0.498	-0.299	0.888	-0.252
IDR	0.252	0.878	-0.367	-0.916	-0.943	-0.918	-0.532	-0.89	0.793	0.964	-0.384	-0.224
USGG10	-0.097	1	-0.476	-0.707	-0.798	-0.741	-0.655	-0.725	0.53	0.889	-0.58	0.123
PHP	-0.294	0.812	-0.269	-0.558	-0.575	-0.611	-0.769	-0.627	0.418	0.789	-0.519	0.309
AUD	-0.522	-0.678	0.302	0.958	0.901	0.88	0.256	0.798	-0.863	-0.797	0.153	0.486
NZD	-0.758	-0.05	0.225	0.636	0.434	0.488	-0.365	0.386	-0.664	-0.237	-0.303	0.749
GBP	-0.768	-0.432	0.012	0.791	0.814	0.847	0.103	0.806	-0.733	-0.662	-0.127	0.741
EUR	-0.973	0.123	-0.252	0.43	0.393	0.488	-0.374	0.436	-0.417	-0.112	-0.594	1

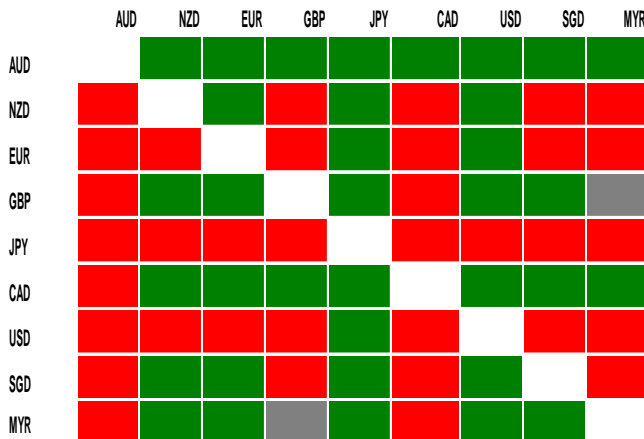
Source: Bloomberg

Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.2238	1.2300	1.2392	1.2400	1.2528
GBP-USD	1.3773	1.3900	1.3978	1.4000	1.4282
AUD-USD	0.7800	0.7865	0.7899	0.7900	0.8136
NZD-USD	0.7211	0.7300	0.7358	0.7400	0.7427
USD-CAD	1.2500	1.2537	1.2579	1.2600	1.2685
USD-JPY	105.70	106.00	106.71	107.00	110.67
USD-SGD	1.3011	1.3100	1.3151	1.3200	1.3262
EUR-SGD	1.6175	1.6200	1.6297	1.6300	1.6404
JPY-SGD	1.2158	1.2300	1.2325	1.2377	1.2400
GBP-SGD	1.8255	1.8300	1.8383	1.8400	1.8656
AUD-SGD	1.0297	1.0300	1.0388	1.0400	1.0431
Gold	1308.84	1312.30	1341.20	1365.40	1366.73
Silver	16.13	16.50	16.52	16.60	16.73
Crude	61.50	62.10	62.16	62.20	66.66

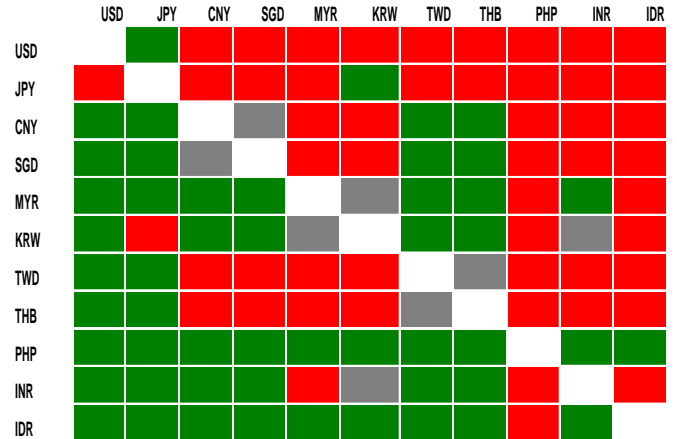
Source: OCBC Bank

G10 FX Heat Map



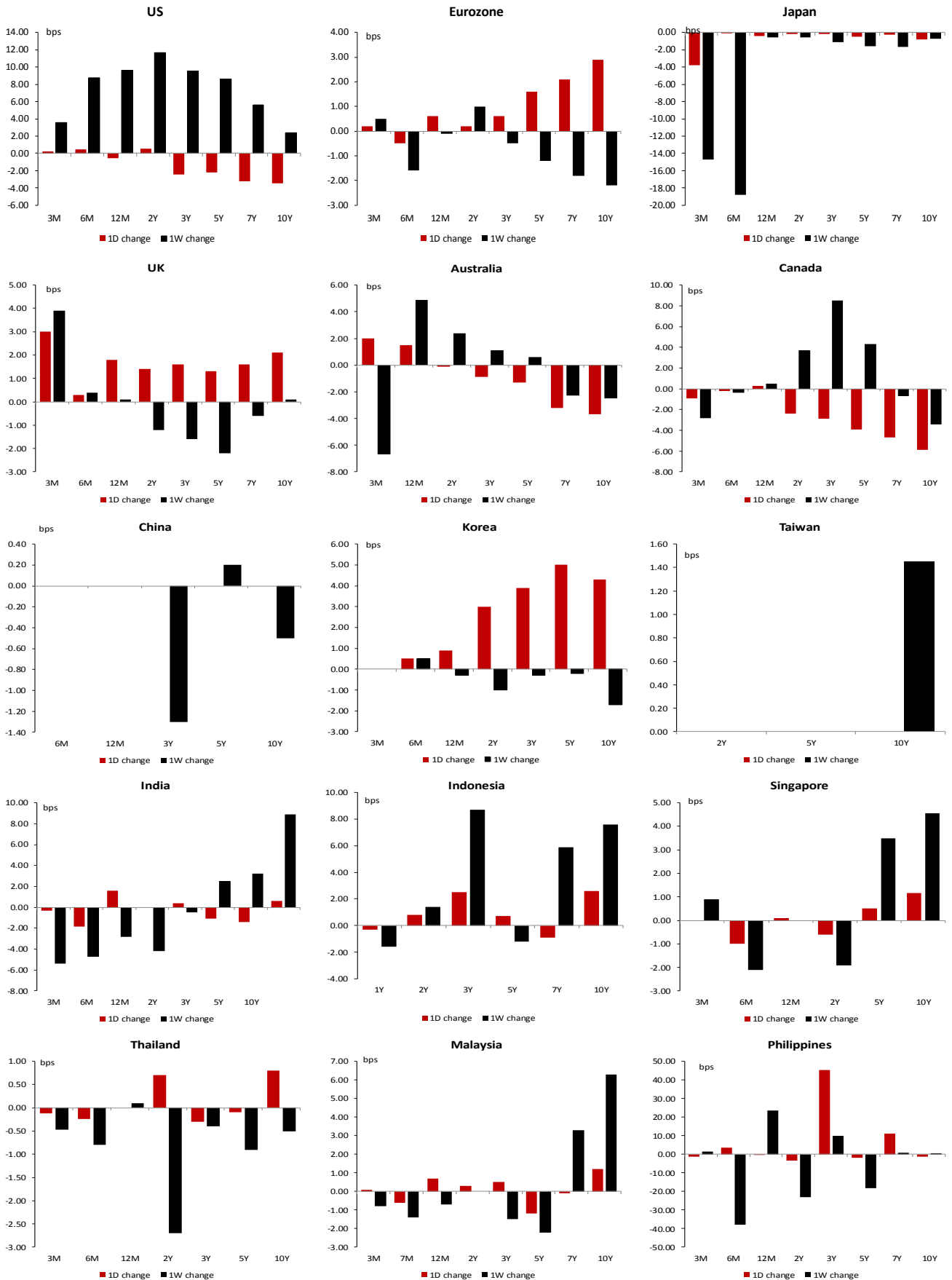
Source: OCBC Bank

Asia FX Heat Map



Source: OCBC Bank

Government bond yield changes



FX Trade Ideas

Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale		
TACTICAL								
1	09-Feb-18	B	USD-CAD	1.2600	1.2855	1.2470	Softer crude and fragile appetite towards the cyclicals	
STRUCTURAL								
2	19-Jan-18	B	EUR-USD	1.2274	1.2865	1.1975	ECB likely to alter its forward guidance into the spring	
3	31-Jan-18	S	USD-JPY	108.67	102.35	111.85	Market fixation on USD weakness, despite mitigating factors and the BOJ	
4	15-Feb-18	B	GBP-USD	1.4014	1.4855	1.3590	Borad dollar vulerability coupled with hawkish BOE expectations.	
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	27-Nov-17	26-Jan-18	B	GBP-USD	1.3344	1.4135	Investors may imputeBrexit talks in December. Prevailing USD weakness.	+5.56
2	16-Jan-18	02-Feb-18	S	USD-SGD	1.3230	1.3175	Heay dollar, positive risk appetite, SGD NEER not excessively strong	+0.39
3	15-Jan-18	07-Feb-18	B	EUR-USD	1.2199	1.2305	"Hawkish" ECB expectations, positive German polioitical news flow	+0.72
4	12-Feb-18	14-Feb-18	S	AUD-USD	0.7829	0.7915	Unstable equity/risk appetite environment. Less than hawkish RBA	-1.09
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Source: OCBC Bank

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