

Monday, April 01, 2019

Market Themes/Strategy/Trading Ideas – The week ahead

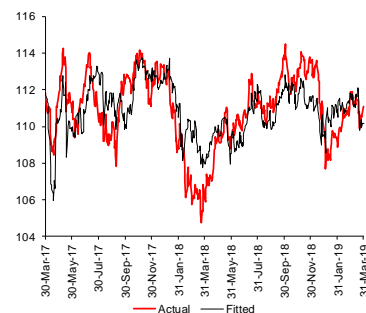
- The greenback lost ground against the cyclicals and the JPY underperformed across the board while GBP (and EUR) continued to be weighed by Brexit headlines. Firmer global equities on Friday and better than expected China official PMIs supported global risk appetite levels, with the **FXSI (FX Sentiment Index)** ticking lower within Risk-On territory.
- **Two-track dollar** - Global manufacturing PMIs for March will be streaming in today while the calendar is topped off by the US NFP on Friday. Amid supported risk appetite levels and with the White House weighing in on the Fed again, expect risk taking behavior to prevail (keeping the USD vulnerable vs. the cyclicals, while the European complex may continue to be weighed. Sino-US trade talks in Washington will continue this week as Chinese Vice Premier Liu He visits on Wednesday and may continue to fuel positive risk appetite levels if the requisite headlines emerge. **From a cross-asset perspective, global equities may also kick off the week on a supported note, although global bond markets may reserve judgement pending central bank forward guidance and the data stream this week.**

EUR-USD



ECB minutes on Thursday may shed further light but short teied valuations and tehncals continue to be top heavy for the pair in the pinterim. Below 1.1200, look towards 1.1175.

USD-JPY

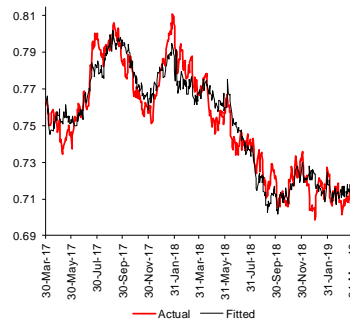


Largely disappointing 1Q Tankan readings this morning may be overshadowed by the pick up in risk appetite levels in the near term. On the current environment, the US-JPY may keep its distance from its 55-day MA (110.46) snf instead eye its 200-day MA (111.47).

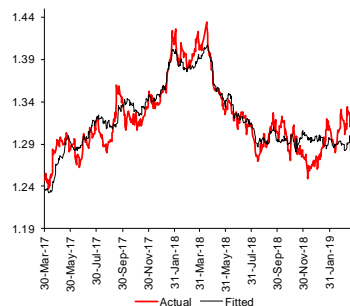
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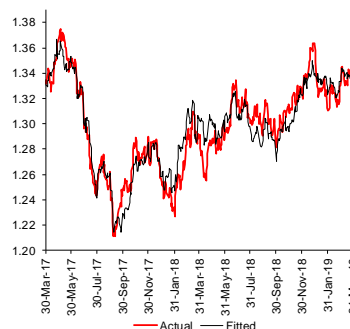
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AUD-USD

The RBA meeting on Tuesday may see the central bank still remaining somewhat reserved in relation to dovishness. Supportive risk appetite developments and resilient short term implied valuations meanwhile portend a potential test of the 55-day MA (0.716) towards 0.7150.

GBP-USD

With the Brexit vote failing to pass again last Fri and the UK parliament once again considering indicative votes tonight, the market's demeanor towards the GBP is expected to remain negative. Note that cable had been converging lower towards its implied confidence intervals and is no longer deemed overbought. However, risks towards 1.2975 remains apparent.

USD-CAD

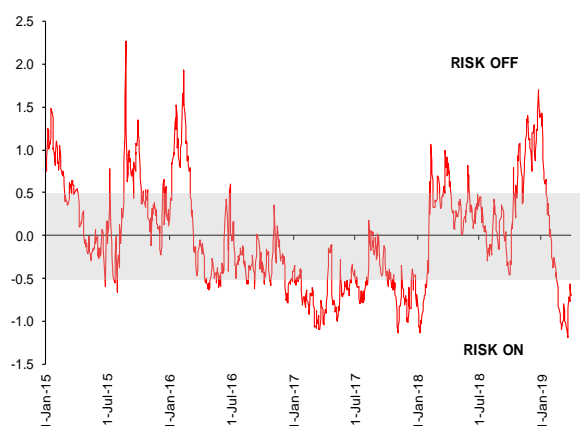
Post the better than expected Jan GDP readings last Friday, USD-CAD may attempt to continue to capitulate lower in the current market environment with the nearest way point expected at the 100-day MA (1.3322).

Source: OCBC Bank

Asian Markets

- **China Mar PMIs bounce** - With risk appetite levels buffered (EM equities in aggregate climbed on Friday) and China's March PMIs clocking better than expected readings over the weekend, USD-Asia may be expected to take the cue from the USD-CNH and slant lower at the onset of the week. Elsewhere, mixed to firmer man. PMI prints from the rest of Asia should also provide some underlying support for the Asian currencies.
- **Asian central banks – RBI expected to ease further, while BOT continues to hold out.** The RBI is expected to cut its policy rates further in its upcoming meeting (Thu), potentially giving another boost to the still-accelerating portfolio inflow momentum into India. Meanwhile, we assess the BOT's Feb meeting minutes (Wed) for further information on their policy stance, with officials still keeping the rate hike rhetoric in play.
- **USD-SGD – Turning heavy again.** The SGD NEER is staying supported this morning at +1.74% above its perceived parity (1.3773), even though NEER-implied thresholds eased lower. Early week, expect the USD-SGD to turn lower again, in lock-step with the USD-CNH. Look for the 55-day MA (1.3543) as an initial support.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1227	1.1300	1.1333
GBP-USD	1.2980	1.3000	1.3024	1.3093	1.3100
AUD-USD	0.7100	0.7120	0.7122	0.7143	0.7200
NZD-USD	0.6747	0.6800	0.6827	0.6831	0.6900
USD-CAD	1.3286	1.3300	1.3351	1.3400	1.3465
USD-JPY	110.58	111.00	111.15	111.47	112.00
USD-SGD	1.3473	1.3500	1.3538	1.3540	1.3600
EUR-SGD	1.5187	1.5196	1.5199	1.5200	1.5346
JPY-SGD	1.2084	1.2100	1.2180	1.2200	1.2245
GBP-SGD	1.7600	1.7603	1.7632	1.7700	1.7723
AUD-SGD	0.9600	0.9641	0.9642	0.9644	0.9700
Gold	1279.69	1280.80	1290.80	1300.00	1306.37
Silver	15.08	15.10	15.14	15.20	15.50
Crude	56.12	60.40	60.49	60.50	60.73

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale	
TACTICAL							
1	05-Mar-19	S	AUD-USD	0.7074	0.6870 0.7175	Potentially dovish RBA, macro conditions soggy	
STRUCTURAL							
2	19-Mar-19		Long 2M USD-SGD 25-delta strangle Spot ref: 1.3508; Strikes: 1.3618, 1.3371; Exp: 16/05/19; Cost: 0.41%			Relatively depressed vol surface ahead of imminent global headline risks	
RECENTLY CLOSED TRADE IDEAS							
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*
1	28-Feb-19 08-Mar-19	S	3M USD-CNH	6.6861	6.7350	Renminbi stability, PBOC policy backstop, conducive inflow environment	-0.73
2	27-Feb-19 13-Mar-19	S	1M THB-PHP	1.6536	1.6750	Contrasting flow dynamics	-1.29
3	07-Mar-19 13-Mar-19	B	USD-CAD	1.3430	1.3315	BOC stalls in its tightening bias	-0.85
4	23-Jan-19 21-Mar-19	B	GBP-AUD	1.8159	1.8440	Contrasting risk profiles in the near term	+1.35
5	14-Feb-19 25-Mar-19	B	USD-JPY	111.00	109.98	Dollar resilience, revival in risk appetite levels	-0.61

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