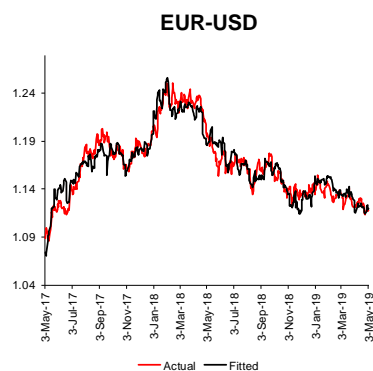


Friday, May 03, 2019

Market Themes/Strategy/Trading Ideas

- With UST yields firming (somewhat supportive March durable goods orders and factory orders), the majors waned slightly against the USD in the wake of the latest FOMC. Meanwhile, the GBP-USD also drifted lower post the BOE MPC while the NOK led the way lower as crude dripped lower. Elsewhere, the **FXSI (FX Sentiment Index)** still managed to soften despite negative EZ/US equities
- **USD in favor.** **US April NFP** numbers (mkts: +185k) are due today and market reaction is likely to be asymmetric – any positive surprises (or even as expected readings) may intensify USD and UST yield upside while any disappointments may not inflict as much damage.
- **Fed speak** resumes today with a vengeance after the FOMC and investors will be assessing whether the expected chorus of rhetoric will dilute or amplify Powell's message at the FOMC meeting.



Stabilizing. EUR-USD gave way despite supportive German March retail sales numbers and EZ April manufacturing PMI readings. For today, continue to fade upticks with 1.1200 having been breached and with short term implied valuations also softening. Markets may steer towards 1.1125 if 1.1150 is breached.

Treasury Research &
Strategy

Emmanuel Ng

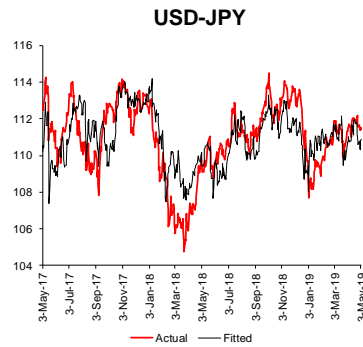
+65 6530 4037

ngcyemmanuel@ocbc.com

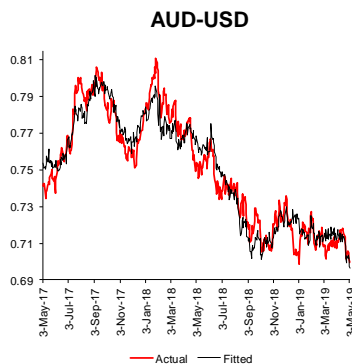
Terence Wu

+65 6530 4367

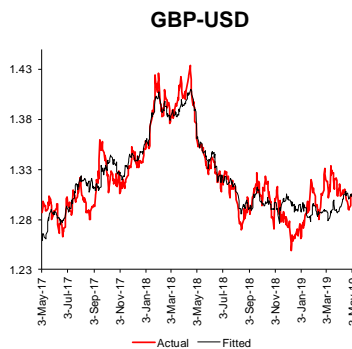
TerenceWu@ocbc.com



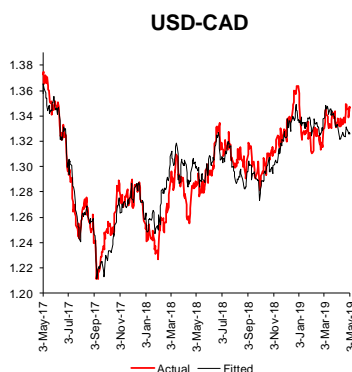
Heavy range. Short term implied valuations for USD-JPY are attempting to stabilize on the back rate differential arguments. Pending risk appetite developments however, the pair may continue to orbit its 200-day MA (111.51) ahead of the FOMC tonight.



Hunt lower. Investors will continue to square the Fed's neutrality with ongoing expectations for RBA rate cuts and this may invariably drag the AUD-USD lower. With short term implied valuations detaching lower again, 0.6965 may continue to attract intra-day.



Rangebound. The BOE MPC was static as expected on Thursday and GBP-USD continued to decay despite Carney's slightly hawkish rhetoric and upward revision in official growth forecast. In the near term, short term implied valuations are static and expect the pair to remain trapped (but lightly supported) within its 100-day MA (1.2986) and its 55-day MA (1.3099).

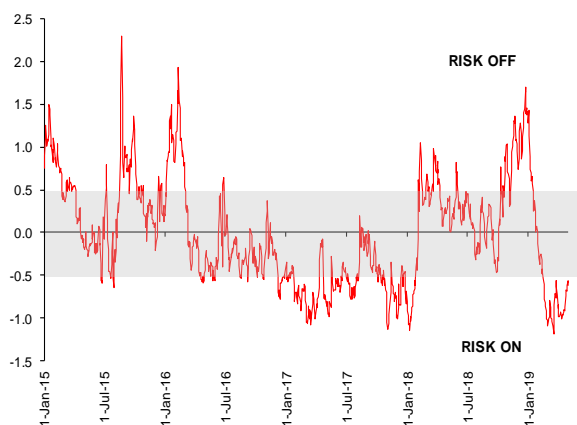


Supported range. USD-CAD may be sitting slightly over extended relative to its stable short term implied valuations but sliding crude and FOMC-related USD positivity may temper any downside corrections in the former in the short term. Risk to test towards 1.3520.

Asian Markets

- USD-Asia still supported.** EM FX crumbled overnight and USD-CNH also floated towards 6.7500 in sympathy. Expect the USD to remain in ascendance into the end of the week, especially if Asian equities take a leaf from overnight markets.
- Mixed Asian PMIs.** On the macro front, April manufacturing PMIs released on Thursday saw India, Taiwan, Indonesia, and the Philippines deteriorating from the previous month. Meanwhile, South Korea, Malaysia, and Thailand registered improvements from the previous month. Elsewhere, April headline and core inflation numbers for Indonesia were warmer than expected.
- Uninspiring flows.** Net inflows for South Korea are still holding steady (bond inflows blipping higher despite waning equity interest) although we note a continued moderation of net inflows for Taiwan. In the south, Indonesia clocked a jump higher in net equity inflows but net bond inflows have all but evaporated. Elsewhere, net bond outflows persist in India while net equity inflows have moderated lower from extremity levels.
- USD-SGD – Upside tilt.** April PMIs are due later today (1300 GMT) but in the interim, the 200-day MA (1.3652) remains a near term objective in the face of the current dollar tide. The SGD NEER is softer on the day at around +1.60% above its perceived parity (1.3844). NEER-implied USD-SGD thresholds are also firmer on the day.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1112	1.1125	1.1176	1.1200	1.1269
GBP-USD	1.2958	1.3000	1.3040	1.3100	1.3106
AUD-USD	0.6967	0.6985	0.6995	0.7000	0.7096
NZD-USD	0.6580	0.6600	0.6621	0.6700	0.6725
USD-CAD	1.3361	1.3400	1.3467	1.3500	1.3515
USD-JPY	111.06	111.39	111.43	111.51	112.00
USD-SGD	1.3552	1.3600	1.3628	1.3652	1.3653
EUR-SGD	1.5178	1.5200	1.5231	1.5271	1.5300
JPY-SGD	1.2167	1.2200	1.2230	1.2244	1.2258
GBP-SGD	1.7700	1.7760	1.7771	1.7794	1.7800
AUD-SGD	0.9509	0.9526	0.9533	0.9600	0.9617
Gold	1260.80	1266.00	1272.50	1294.67	1300.00
Silver	14.53	14.55	14.56	14.60	14.95
Crude	61.70	61.70	61.71	61.80	66.27

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
1	24-Apr-19	S	GBP-USD	1.2933 1.2495 1.3155	Sustained Brexit uncertainty and pressure to oust PM May			
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	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
2	02-Apr-19	05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
3	05-Mar-19	11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13
4	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).
