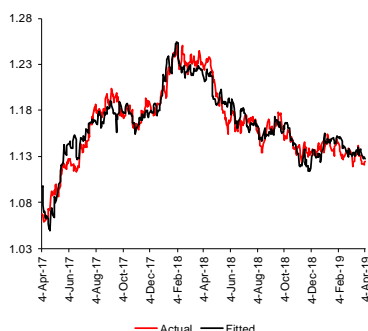


Thursday, April 04, 2019

Market Themes/Strategy/Trading Ideas

- The dollar was broadly weaker on Wednesday on improved risk appetite levels (background optimism surrounding Sino-US trade talks). On the data front, the US non-manufacturing ISM fell more than expected to 56.1 from 59.7, while the ADP also disappointed at +129k. European services and composite PMIs were also broadly positive. Nevertheless, global govie yields (including US Treasuries) were mildly firmer.
- **The music's not stopping (yet).** At this juncture, markets appear more than happy to focus on the positives, while keeping any negatives at arm's length. Overall risk sentiments turned further positive, with the **FXSI (FX Sentiment Index)** digging deeper into Risk-On territory, encouraged by the bounce in the global (and especially China Caixin) services/composite PMIs and positive Sino-US trade talk buzz.
- **USD may be slightly vulnerable on risk sentiments ahead of NFP.** Ahead of the US labor market numbers tomorrow, watch for evolving Sino-US headlines and ECB meeting minutes for further cues. For today, expect investors to trade on the ebb and flow of risk appetite developments, with the global data flow and the equity complex also supportive of risk taking behavior. In a nutshell, the USD may remain slightly wobbly, with short-end riskies have also been leaning slightly against the USD in G7 space. **USD-JPY we think remains the sole exception, with rate differential and risk appetite arguments providing uplift for the pair.**

EUR-USD

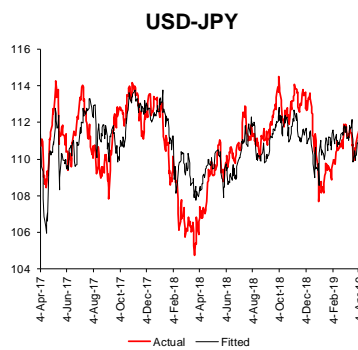


EUR-USD was also bouyed by better than expected March services/composite PMIs but ECB minutes (1130 GMT) may potentially trip up the pair. Ply a 1.1215-1.1270 range in the interim and prefeere to fade rallies.

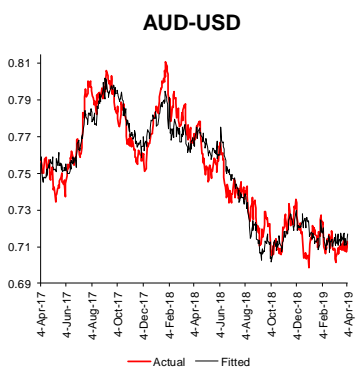
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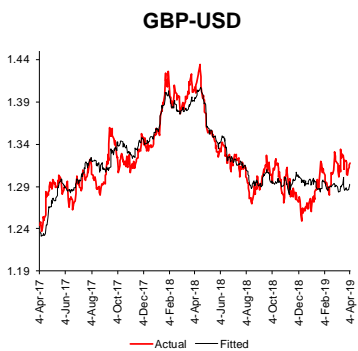
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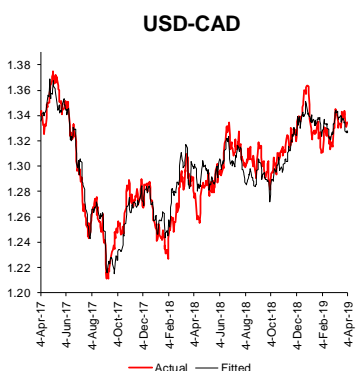
Accumulate on dips in the USD-JPY and markets may prep for a break above the 200-day MA (111.49) for 111.80, with additional tailwind from rising short term implied valuations.



Better than expected March AiG services index and Feb retail sales also fueled the AUD-USD higher on Wednesday. Expect temptation to drift above the 55-day MA (0.7121) if headlines remain encouraging but we note a tangled mess of technical resistance levels into 0.7135-0.7170.



With legislation to call for a further delay and May-Corbyn talks ongoing, negative space for the GBP-USD on the downside may be tempered in the near term. Notably, short term implied valuations are also attempting to level off with very short-end riskies along the curve pricing away from extreme negative GBP risks.



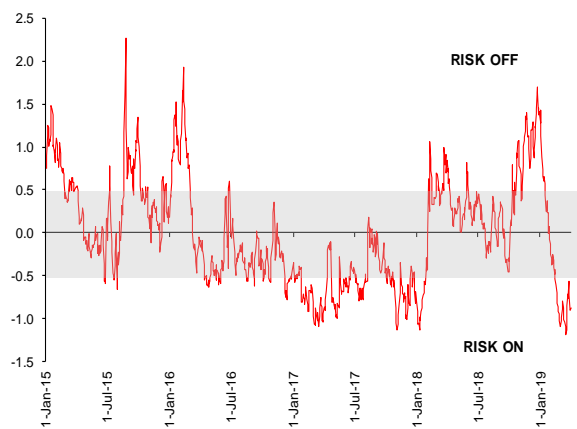
Short term implied valuations remain suppressed on a multi-session horizon and risks may remain skewed towards the 55-day MA (1.3288) pending the Canadian labor market report tomorrow.

Source: OCBC Bank

Asian Markets

- Positive EM equities mixed with a softer USD argue for a softer USD-Asia tone in Asia on Thursday. A potential caveat is that short-term implied EM FX vols have crept higher in recent weeks and are starting to outpace their G7 counterparts. Markets expect the **RBI** today (0615 GMT) to ease its policy parameters today.
- **Asian portfolio flows – Influx into regional equities.** Portfolio flows meanwhile continue to register strongly for South Korea (improving equities even as bond flows stabilize) while Taiwan is also experiencing a revival of net equity inflows. Positive net inflows into Indonesia are also attempting to pick up (moderating bond inflows but improvement in net equity inflows). Net equity outflows for Thailand continue to compress. **India remains a very strong destination of net equity/bond inflows.**
- **USD-SGD – Slightly top heavy** The SGD NEER recovered to +1.73% above its perceived parity (1.3762) this morning, with NEER-implied thresholds softer on the day. The USD-SGD may ease lower from its 55-day MA (1.3543) towards 1.3500, given the ongoing positivity surrounding Sino-US trade talks and alleviating growth concerns. March official PMI printed 50.8, above the consensus estimate of 50.4.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1216	1.1300	1.1327
GBP-USD	1.3099	1.3100	1.3131	1.3200	1.3340
AUD-USD	0.7003	0.7035	0.7093	0.7100	0.7118
NZD-USD	0.6738	0.6739	0.6763	0.6800	0.6830
USD-CAD	1.3284	1.3300	1.3326	1.3400	1.3458
USD-JPY	110.66	111.00	111.44	111.48	112.00
USD-SGD	1.3500	1.3539	1.3542	1.3600	1.3606
EUR-SGD	1.5159	1.5171	1.5189	1.5200	1.5335
JPY-SGD	1.2091	1.2100	1.2152	1.2200	1.2235
GBP-SGD	1.7722	1.7733	1.7783	1.7800	1.8029
AUD-SGD	0.9552	0.9600	0.9606	0.9637	0.9639
Gold	1280.80	1280.83	1291.20	1300.00	1306.63
Silver	15.06	15.10	15.11	15.20	15.49
Crude	62.68	62.70	62.76	62.80	62.83

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	
2	02-Apr-19		S	EUR-CAD	1.4923	1.4685 1.5045	Dovish ECB vs. relatively more sanguine BOC	
STRUCTURAL								
3	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
6	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42

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