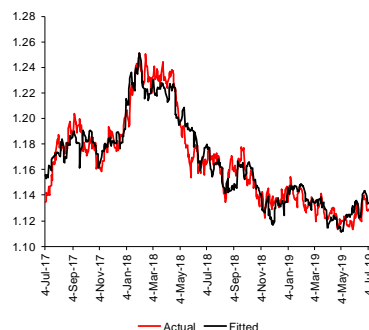


Thursday, July 04, 2019

Market Themes/Strategy/Trading Ideas

- Reflation play?** The dollar was flat to weaker across G10 space on Wednesday, especially against the cyclicals. Note that the AUD and CAD were supported by better than expected trade numbers. Markets also ostensibly chose to focus on the imminent monetary policy relaxation of global central banks (note Tues headlines regarding Lagarde, Waller, Shelton) floating both equities and the antipodeans. Note also the stray Trump tweet accusing the EU and China of manipulating their currencies – implicitly dollar bearish.
- The US data stream (ADP, initial claims, factory orders, durable goods orders, non-manufacturing ISM) meanwhile was generally underwhelming, leaving UST (and bund) yields lower on the day. Elsewhere, crude was firmer while positive EZ/US equities were balanced off by soft EM equities. Overall, the **FX Sentiment Index (FXSI)** essentially remained stuck in Risk-Neutral territory.
- USD may remain slightly under threat** (especially against risk-related currencies) following overnight price action if investors continue to take the lead from equity space. Our heat map continues to favor the cyclicals at this juncture. Meanwhile, dovish overtones may however continue to afflict the likes of the EUR and GBP.
- The US Independence Day holiday today may see markets enter a consolidation mode later in the global session. Meanwhile, expect a light calendar today, with the focus on the US NFP on Friday.

EUR-USD



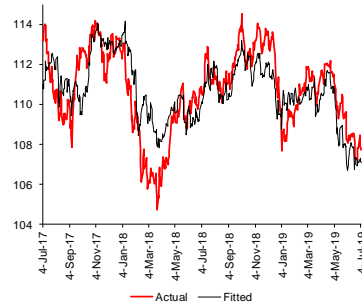
Reverting lower. EZ June services/composite PMI readings improved from the previous month but near term prospects for the EUR-USD may remain angled lower. Short term implied valuations continue to remain depressed and the 100-day MA (1.1261) and 1.1250 may continue to attract.

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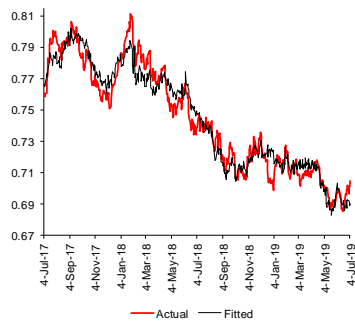
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USD-JPY



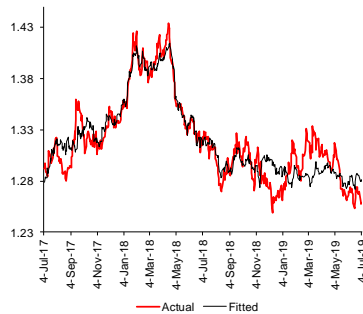
Neutral/lower. USD-JPY may remain slippery below 108.00 with short term implied valuations also concurring. Expect risk towards 107.00/20 if USD vulnerability continues to permeate in the short term.

AUD-USD



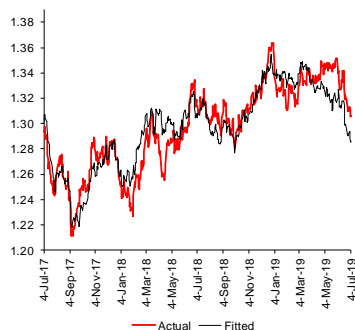
Sentiment driven. Despite subdued short term implied valuations, the global reflation dynamic (note headlines indicating a resumption of Sino-US talks next week) may override in the very short term. As such, a test towards 0.7070-0.7100 cannot be ruled out.

GBP-USD



Slow slide. GBP continued to underperform against its peers on Wednesday with June services/composite PMIs softer than expected. Stay heavy with 1.2500/30 expected to be the next support zone.

USD-CAD

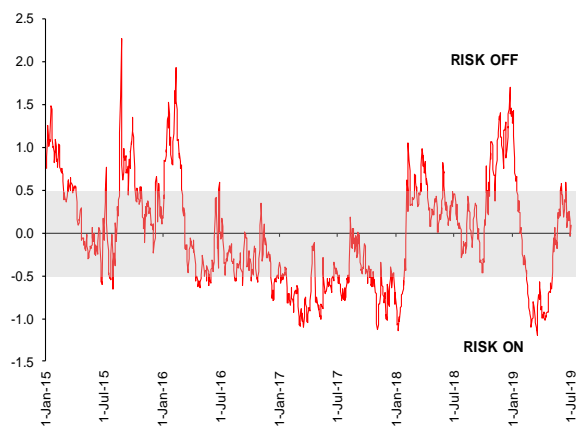


Stay top heavy. USD vulnerability and a supported commodity complex may also continue to manifest via a heavy USD-CAD at this juncture. With the pair still expected to be in pursuit of its sinking short term implied valuations, 1.3000 is now fair game.

Asian Markets

- USD-Asia: Some stabilization for now.** The stabilization in the USD-CNH after hitting a high of 6.9000 may provide a further buffer for Asian FX into today's session. On the Asian data front, the China Caixin services/composite PMIs weakened further, as did the services/composite PMIs out of India. However, as noted above, if markets continue to focus on the reflation play, expect regional FX to remain slightly supported against the USD.
- Flow environment is supportive.** On the **portfolio flow** front in Asia, aggregate bond inflows remain at the hilt while net equity inflows have also improved to a comfortable positive balance in the region. On the bond front, note particularly strong interest in South Korea (still), Indonesia, and Thailand – with accompanying currency resilience. In India, note that net bond inflows are still holding up but net equity flows have flipped into a net outflow situation – potentially undermining the INR.
- Elsewhere, the **BOT** Senior Director Don Nakornthab reiterates the official discomfort with THB strength, although steps to address the issue were not discussed. On potential monetary easing, he acknowledged that there is room for rate cuts, although the timing is still under consideration.
- USD-SGD: Range.** The USD-SGD remains in a tight range, pending new catalysts to emerge. The near-term corridor between 1.3530 and 1.3580 should remain firm for now. The SGD NEER appears to be on a slight drift lower, standing at +1.64% above its perceived parity (1.3774) this morning. NEER-implied USD-SGD thresholds softened further. The June Markit PMI deteriorated further while the SIPM overall PMI and electronics PMI also softened from the previous month.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1236	1.1287	1.1300	1.1334
GBP-USD	1.2506	1.2532	1.2584	1.2600	1.2762
AUD-USD	0.6957	0.7000	0.7039	0.7048	0.7060
NZD-USD	0.6700	0.6712	0.6713	0.6730	0.6758
USD-CAD	1.3000	1.3056	1.3061	1.3100	1.3291
USD-JPY	107.00	107.09	107.74	108.00	108.93
USD-SGD	1.3500	1.3503	1.3548	1.3600	1.3645
EUR-SGD	1.5260	1.5289	1.5292	1.5300	1.5345
JPY-SGD	1.2514	1.2522	1.2575	1.2600	1.2663
GBP-SGD	1.7000	1.7029	1.7050	1.7100	1.7403
AUD-SGD	0.9470	0.9500	0.9536	0.9559	0.9573
Gold	1324.67	1400.00	1423.10	1441.00	1450.30
Silver	14.95	15.20	15.25	15.30	15.54
Crude	50.60	56.90	56.94	57.00	58.37

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
--		--			--			
STRUCTURAL								
--		--			--			
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	19-Mar-19	16-May-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	0.06	
2	07-Jun-19	18-Jun-19	B	EUR-USD	1.1266	1.1186	Pitting the ECB against the FOMC	-0.72
3	14-May-19	26-Jun-19	S	AUD-JPY	76.12	75.28	Escalating Sino-US trade tensions	0.86

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