

Tuesday, March 05, 2019

**Market Themes/Strategy/Trading**

- Despite UST yields consolidating lower, the dollar floated higher again against the EUR, GBP and CAD. Meanwhile, the antipodeans held their own against the greenback amidst positivity surrounding Sino-US trade relations.
- On the risk appetite front, with investor optimism consolidating and US equities heading lower on Monday, the **FX Sentiment Index (FXSI)** ticked higher within Risk-On territory.
- With sufficient caution and dovishness being attached towards central bank outcomes this week (watch **RBA** today), the **DXY** may continue to see support on dips in the near term with initial supports seen towards 96.60 and the 100-day MA (96.473).
- On a more granular level, the **EUR-USD** may continue to fade on upticks ahead of this Thursday's ECB meeting with the 100-day MA (1.1381) and the 55-day MA (1.1387) seen sheltering. Risks towards 1.1270/00 may remain on the cards in the interim.
- Elsewhere, with TYs still looking heavy, we remain constructive on **the USD-JPY**, with the confluence of the 100-day MA (111.39) and the 200-day MA (111.37) providing a solid floor in the near term.
- Structurally, the tussle between (fragile) background positive risk appetite attached to Sino-US headlines and the murkier global macroeconomic backdrop may persist in the short term. If euphoria surrounding the former fizzles, watch for de facto broad USD resilience if the majors continue to falter on the back of potentially dovish rhetoric from their respective central banks (**AUD-USD** being case in point at this juncture).

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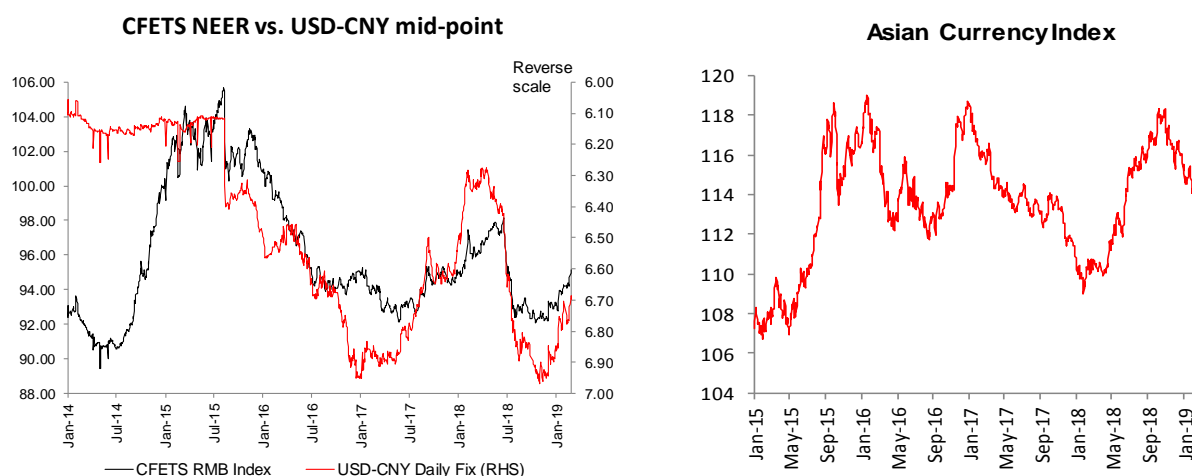
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## Asian Markets

- In a nutshell, NPC headlines from early Tuesday denote further stimulus ahead and ultimately may prove net positive for global sentiment. Intra-day however, the USD may continue to hold the upper hand in Asia, especially if Asian equities remain on a negative footing during the session. **However, if risk appetite levels continue to hold up, carry considerations may see the IDR remaining relatively favored within the region.**
- On the flow front, **net portfolio inflows** into South Korea have been moderating steadily with net equity inflows coming off fairly significantly. Taiwan however has continued to chalk up very strong net equity inflows. Indonesia meanwhile has continued to demonstrate improving net inflows, primarily on the back of net bond inflows. **Meanwhile, net out flows for Thailand are still attempting to compress as net bond outflows taper off – potentially putting a floor on the baht's recent underperformance in the near term.**
- SGD NEER:** The Feb PMI deteriorated as expected to 50.4 from 50.7 but the electronics PMI slipped more than expected to 49.5. Meanwhile, the SGD NEER is slightly easier on the day at around +1.74% above its estimated midpoint (1.3790). NEER-implied USD-SGD thresholds are also marginally higher on the day. **In the interim, expect a near term locus in the neighborhood of 1.3550 for USD-SGD with risks likely tilted towards the 55-day MA (1.3577) intra-day.**
- CFETS RMB Index:** The USD-CNY midpoint was set slightly lower than expected at around 6.6998 from 6.7049 on Monday. This lifted the CFETS RMB Index higher to 95.27 from 95.13 yesterday.



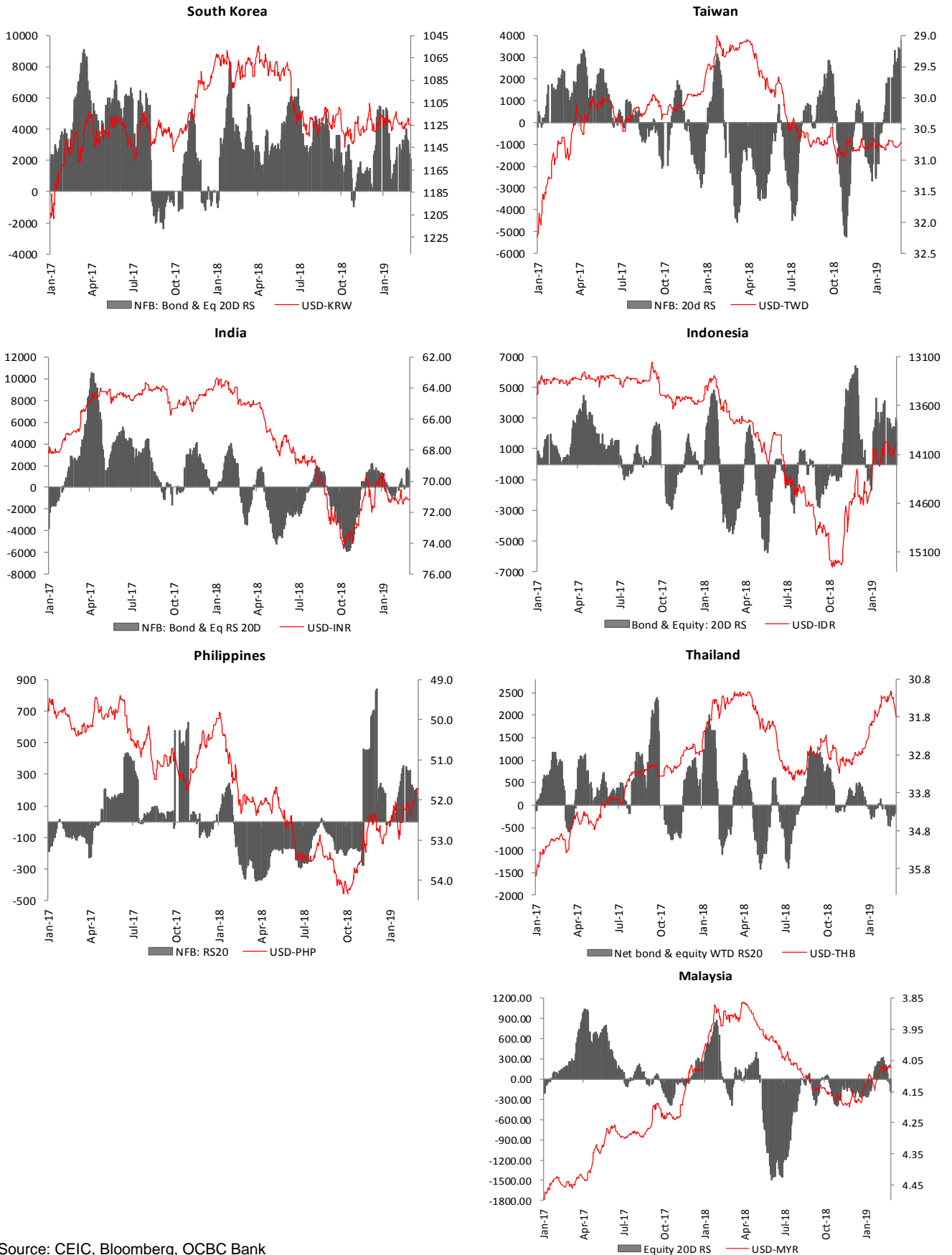
Source: OCBC Bank, Bloomberg

### Short term Asian FX/bond market views

	USD-Asia	10y govie (%)	Rationale
<b>China</b>	↔/↓	↑	Bond yields bottoming as equities strengthen. 4Q GDP as expected at 6.4% yoy. Dec new yuan loans and aggregate financing beat expectations. Jan CPI/PPI surprise on the downside. Dec industrial profits deteriorate further at -1.9% yoy. Dec retail sales and industrial production in-line to stronger than expected. Feb official PMIs softer than expected again; Feb Caixin manufacturing PMI better than expected at 49.9. Jan trade momentum surprises on the upside; await Feb figures for better clarity.
<b>S. Korea</b>	↔/↑	↔/↓	BOK unchanged at 1.75% in Feb. Central bank retains an accommodative stance and continues to rule out a rate cut for now. Jan CPI (headline and core) softer than expected again. Feb exports at a worse than expected -11.1% yoy. Feb manufacturing PMI deteriorates further to 47.2. 4Q GDP higher than expected at +3.1% yoy on the back of fiscal support. Jan unemployment jumps to 4.4%.
<b>Taiwan</b>	↔	↔/↑	4Q GDP disappoints at +1.78% yoy. CBC static at 1.375% in Dec 2018. CBC governor ambivalent on the benchmark rate. Some CBC members looking towards policy normalization to afford the authority eventual downside wiggle room. Feb manufacturing PMI drops further to 46.3. Jan CPI readings surprise on the soft side. Dec exports orders slump -10.5% yoy. Jan exports contract less than expected.
<b>India</b>	↔/↓	↔	4Q GDP disappoints at 6.6% yoy, continuing to fuel rate cut expectations. RBI delivered a surprise 25 bps cut in Feb and shifted to neutral. Room to bull steepen in the near term on possibility of further cuts, while the back-end remains constrained by fiscal slippage concerns. Jan CPI (including core) was cooler than expected, although RBI sees core inflation sticky at a high 6%. 3Q GDP weaker than expected. Jan manufacturing PMI improves to 53.9. Dec merchandise trade deficit wider than expected on firmer crude. On the political front, elections due Apr/May 2019, and ongoing India-Pakistan tensions.
<b>Singapore</b>	↔/↑	↑	Expect the USD-SGD to track the broad USD and USD-CNH. 4Q GDP surprises on the downside at 1.6% saar. Jan NODX disappoints at -10.1% yoy. Jan 19 CPI readings cooler than expected. Jan IPI flat to weaker than expected, Dec numbers revised lower. Monetary policy thought to be "appropriate", and "no need for stimulus" for now.
<b>Malaysia</b>	↔/↑	↔	BNM static at 3.25% in Jan; expected to be static through 2019. Jan CPI pined a deeper than expected -0.7% yoy. Dec manufacturing PMI falls to 47.6. Jan exports better than expected at 3.1% yoy, Dec industrial production numbers outperformed. Jan CPI shows stronger than expected negative price pressures. 4Q GDP surprises on the upside at +4.7% yoy.
<b>Indonesia</b>	↔/↑	↔/↓	BI static at Feb meeting, absent previous "hawkish" intent, replaced with an emphasis on external stability (ie. containing current account deficit and maintaining a sufficient yield buffer) while exploring further macroprudential measures. Policy rate seen near its peak by BI, IDR still seen as undervalued. Feb headline CPI cooler than expected (2.57%), core steady at 3.06%. Export/import performance mixed and trade deficit slightly wider than expected. 4Q18 CA deficit widened more than expected. 4Q GDP better than expected. Elections slated for 17 April 2019.
<b>Thailand</b>	↑	↑	Accommodative policy "still appropriate" in Feb BOT meeting, 2 of 7 members voted to hike. Minutes reveal that policy is still tilted towards hikes. Jan customs exports underperformed. Jan current account surplus contracts by more than expected. 4Q GDP at a better than expected +3.7% yoy. Feb headline inflation warmer than expected at 0.73%, core cooler than expected at 0.60%. Elections scheduled on 24 March, with uncertainties heightening.
<b>Philippines</b>	↓	---	BSP warns against premature easing and remains on the hawkish side despite being static in Feb. 4Q GDP below expectations at 6.1% yoy. Dec exports underperformed expectations at -12.3% yoy. Dec manufacturing PMI weakens to 53.2 from 54.2. Dec CPI softer than expected at +5.1% yoy. 2018 fiscal deficit likely widened to 3.1%.

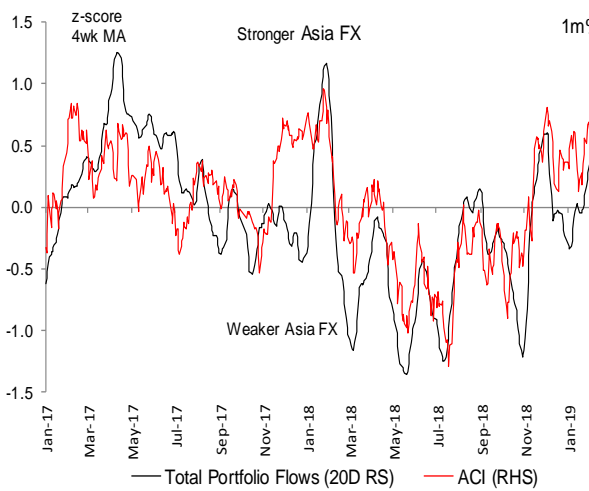
Source: OCBC Bank

### USD-Asia VS. Net Capital Flows



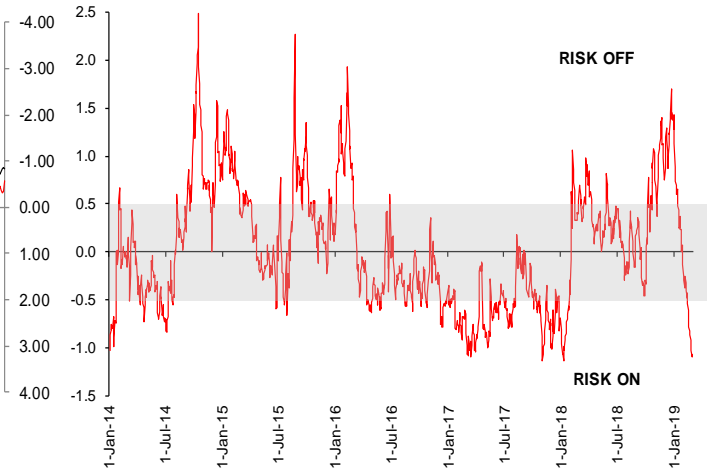
Source: CEIC, Bloomberg, OCBC Bank

### ACI VS. Net Capital Flows



Source: OCBC Bank

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCPAF	CRY	JPY	CL1	VIX	ITRXXK	CNH	EUR
DXY	1	-0.162	<b>0.799</b>	-0.182	-0.238	-0.448	0.14	-0.27	0.168	0.361	0.447	<b>-0.962</b>
SGD	<b>0.813</b>	0.084	<b>0.787</b>	<b>-0.605</b>	<b>-0.594</b>	<b>-0.734</b>	-0.128	<b>-0.602</b>	0.479	<b>0.666</b>	<b>0.786</b>	<b>-0.724</b>
IDR	<b>0.799</b>	<b>-0.352</b>	1	<b>-0.852</b>	<b>-0.939</b>	<b>-0.732</b>	<b>-0.65</b>	<b>-0.751</b>	<b>0.625</b>	<b>0.925</b>	<b>0.976</b>	<b>-0.824</b>
MYR	<b>0.747</b>	<b>-0.235</b>	<b>0.79</b>	<b>-0.278</b>	<b>-0.382</b>	<b>-0.512</b>	<b>-0.185</b>	<b>-0.46</b>	<b>0.392</b>	<b>0.458</b>	<b>0.562</b>	<b>-0.772</b>
JPY	<b>0.736</b>	0.08	0.405	-0.27	-0.135	<b>-0.574</b>	0.256	-0.323	0.28	0.262	0.293	<b>-0.646</b>
CAD	<b>0.717</b>	0.141	<b>0.635</b>	<b>-0.317</b>	<b>-0.69</b>	-0.189	-0.091	-0.106	0.046	<b>0.581</b>	<b>0.643</b>	<b>-0.628</b>
CHF	<b>0.5</b>	0.001	<b>0.512</b>	<b>-0.162</b>	<b>-0.568</b>	-0.016	-0.063	0.042	-0.056	0.348	0.427	-0.417
CNH	0.491	0.243	0.235	<b>0.555</b>	0.196	0.242	<b>0.691</b>	0.464	-0.429	-0.362	-0.221	-0.408
PHP	0.447	-0.163	<b>0.976</b>	<b>-0.882</b>	<b>-0.918</b>	<b>-0.794</b>	<b>-0.677</b>	<b>-0.82</b>	<b>0.719</b>	<b>0.93</b>	1	-0.388
CNY	0.218	-0.463	<b>0.768</b>	<b>-0.555</b>	<b>-0.789</b>	-0.322	<b>-0.748</b>	-0.451	<b>0.551</b>	<b>0.7</b>	<b>0.707</b>	-0.2
THB	0.14	<b>0.514</b>	<b>-0.65</b>	<b>0.807</b>	<b>0.759</b>	0.467	1	<b>0.651</b>	<b>-0.659</b>	<b>-0.803</b>	<b>-0.677</b>	-0.097
KRW	0.091	<b>0.587</b>	-0.338	0.245	0.367	-0.074	<b>0.674</b>	0.197	-0.195	-0.368	-0.311	0.019
USGG10	0.025	0.126	<b>0.526</b>	-0.155	<b>-0.505</b>	0.005	-0.249	-0.02	0.043	0.291	0.372	0.148
TWD	-0.162	1	-0.352	0.156	0.178	0.086	<b>0.514</b>	0.183	-0.211	-0.258	-0.163	0.315
INR	-0.343	-0.056	0.108	-0.495	-0.491	-0.064	<b>-0.716</b>	-0.23	0.322	0.397	0.349	0.416
GBP	-0.477	-0.085	-0.349	<b>0.518</b>	0.219	<b>0.576</b>	0.062	0.499	-0.287	-0.42	-0.404	0.478
NZD	<b>-0.615</b>	0.313	<b>-0.905</b>	<b>0.698</b>	<b>0.757</b>	<b>0.681</b>	<b>0.599</b>	<b>0.708</b>	<b>-0.587</b>	<b>-0.88</b>	<b>-0.888</b>	<b>0.569</b>
AUD	<b>-0.663</b>	-0.176	-0.218	0.12	-0.081	0.301	-0.362	0.104	-0.005	-0.077	-0.124	<b>0.653</b>
EUR	<b>-0.962</b>	0.315	<b>-0.824</b>	0.15	0.193	0.381	-0.097	0.225	-0.16	-0.322	-0.388	1

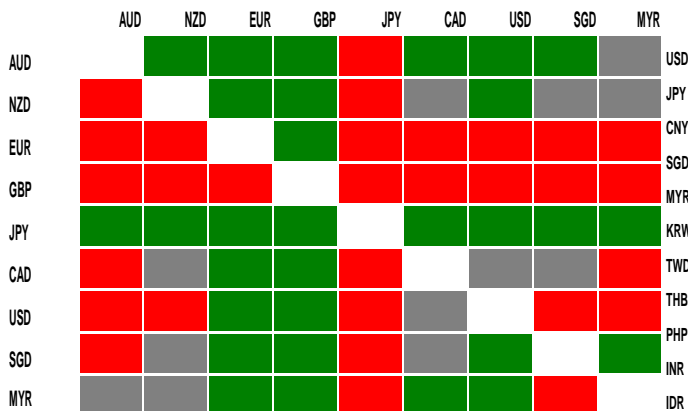
Source: Bloomberg

### Technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1269	1.1300	1.1334	1.1386	1.1397
GBP-USD	1.2989	1.3100	1.3173	1.3200	1.3336
AUD-USD	0.7046	0.7054	0.7074	0.7100	0.7134
NZD-USD	0.6672	0.6743	0.6800	0.6914	0.6942
USD-CAD	1.3292	1.3300	1.3321	1.3349	1.3375
USD-JPY	111.00	111.37	111.89	111.97	112.00
USD-SGD	1.3475	1.3500	1.3553	1.3562	1.3600
EUR-SGD	1.5280	1.5300	1.5361	1.5400	1.5401
JPY-SGD	1.2081	1.2100	1.2112	1.2200	1.2259
GBP-SGD	1.7730	1.7800	1.7852	1.7900	1.7996
AUD-SGD	0.9569	0.9577	0.9587	0.9600	0.9675
Gold	1275.30	1287.25	1288.80	1299.46	1300.00
Silver	15.00	15.01	15.04	15.09	15.10
Crude	52.23	56.20	56.29	56.30	57.88

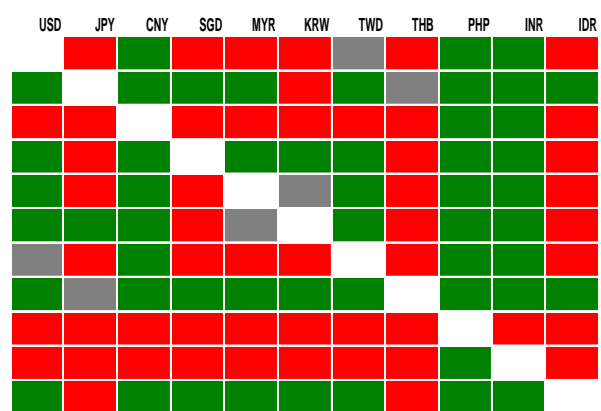
Source: OCBC Bank

### G10 FX Heat Map



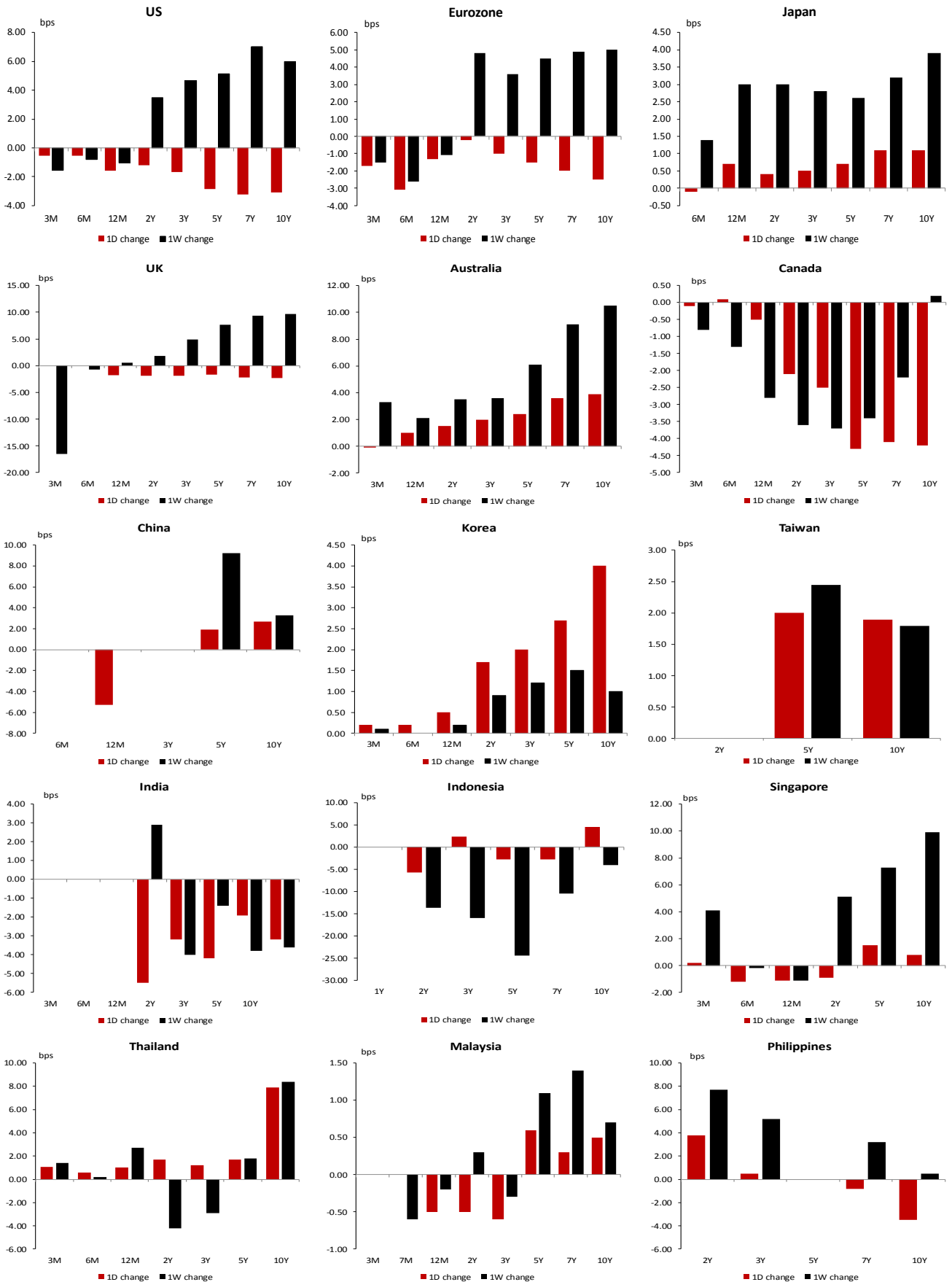
Source: OCBC Bank

### Asia FX Heat Map



Source: OCBC Bank

### Government bond yield changes



### Trade Ideas

	Inception	B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>									
1	23-Jan-19	B	GBP-AUD	1.8159	1.8745	1.7865	Contrasting risk profiles in the near term		
2	14-Feb-19	B	USD-JPY	111.00	113.50	109.70	Dollar resilience, revival in risk appetite levels		
3	27-Feb-19	S	1M THB-PHP	1.6536	1.6130	1.6750	Contrasting flow dynamics		
<b>STRUCTURAL</b>									
4	28-Feb-19	S	3M USD-CNH	6.6861	6.5800	6.7350	Renminbi stability, PboC policy backstop, conducive inflow environment		
<b>RECENTLY CLOSED TRADE IDEAS</b>									
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	31-Jan-19	07-Feb-19	S	USD-CAD	1.3131	1.3250	Improvement in risk appetite, supportive crude	-0.91	
2	31-Jan-19	07-Feb-19	B	XAU-USD	1,320.09	1,304.00	Improvement in risk appetite, supportive crude	-1.29	
3	11-Feb-19	27-Feb-19	S	EUR-USD	1.1325	1.1120	1.1393	Darkening EZ macro outlook	-0.46

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