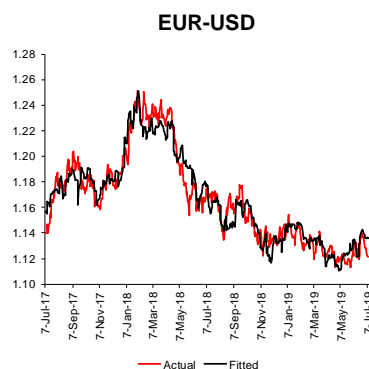


Tuesday, July 09, 2019

Market Themes/Strategy/Trading Ideas – NFP ripples

- The USD continued to drift slightly higher (and XAU retreated) a day after the better than expected US NFP number from Friday. Elsewhere, the UST curve continued to bear flatten even as nominal yields firmed while global equities (including in EM) went into the red. Overall, the **FX Sentiment Index (FXSI)** lifted slightly within Risk-Neutral territory.
- Going ahead, the **DX** has traversed the gulf between its 200-day MA (96.745) and 55-day MA (97.327) and may seek some consolidation ahead of Bullard (1410 GMT), Quarles (1800 GMT), and Bostic (1820 GMT) tonight and Powell on Wednesday.
- **ECB** appearances today also include Visco (0800 GMT), Villeroy (0800 GMT), and Lane (1415 GMT), presenting not insignificant risks for EUR volatility. **With Fed re-pricing (away from a 50bps cut in July but 25bps remains firmly in the bag) still likely underway, the market reflux post-NFP may persist until we get more potential clarity from Fed guidance tonight. Overall, expect the USD to continue to flex against both the majors and the Asians.**



Reverting lower. Dovish comments from the ECB's Coeure will likely keep the EUR-USD laden in the near term despite short term implied valuations holding steady. Expect the 55-day MA (1.1231) is seen capping with risk towards 1.1180/90 still visible.

Treasury Research &
Strategy

Emmanuel Ng

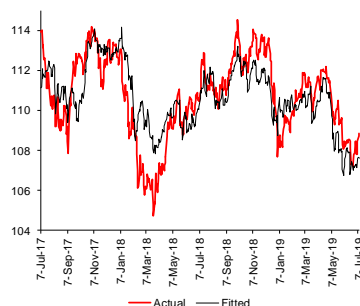
+65 6530 4037

ngcyemmanuel@ocbc.com

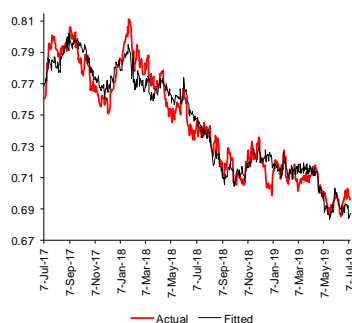
Terence Wu

+65 6530 4367

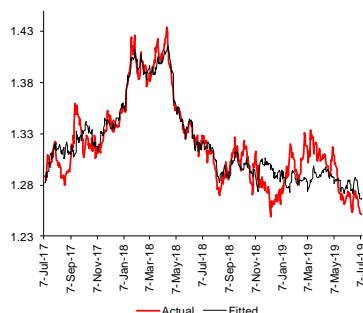
TerenceWu@ocbc.com

USD-JPY

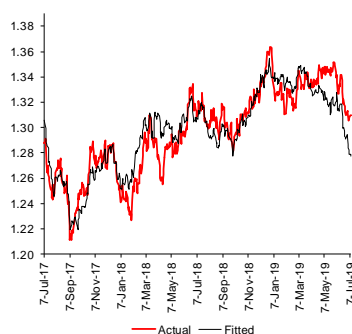
Bottomed for now. With the BOJ's Kuroda remaining suitably accommodative and short term implied valuations for USD-JPY on a higher ledge post-NFP, expect some head room to test towards the 55-day MA (109.22). Thereafter expect some consolidation to kick in pending further headline risks.

AUD-USD

Neutralized. The likes of the AUD remain somewhat resilient despite broader USD currents in the last 2 sessions. At this juncture, expect some scope for the pair to test gingerly below its 55-day MA (0.6959) towards 0.6930. Note also that the AUD-USD is trading rich of its short term implied valuations.

GBP-USD

Still slippery. In addition to the current USD environment, short term implied valuations for the GBP-USD are continuing to look depressed. A foray down towards 1.2480 in the near term cannot be discounted, especially if the UK data/political news feed remain underwhelming.

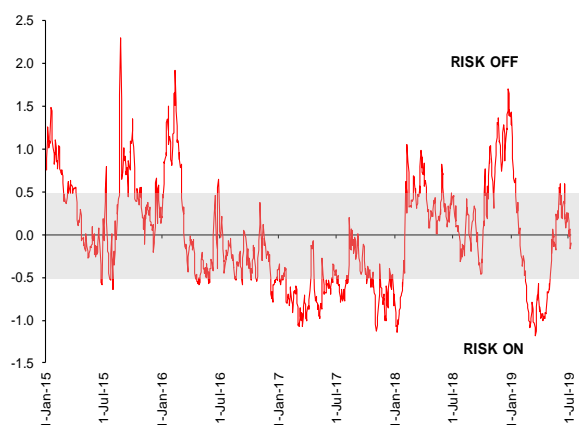
USD-CAD

Consolidate. Expect more range trading ahead of the **Bank of Canada's policy meeting** (and Powell's testimony) on Wednesday. This we think would be despite suppressed short term implied valuations for the pair. In the interim expect USD-CAD to be anchored in the neighborhood of 1.3100.

Asian Markets

- USD-Asia: Supported stance.** EM FX sat heavy against the greenback on Monday with the slumping TRY in the spotlight following the weekend dismissal of the central governor. Meanwhile, the USD-CNH looks capped below the 6.9000 handle ahead of the Chinese data dump this week. At this juncture, we look for the USD-CNH may settle into a 6.8500-6.9000 range pending further catalysts. Nevertheless, this should not impart significant downside impetus to the rest of USD-Asia. **Overall, expect USD-Asia to track the broad USD intraday, pending renewed Fed cues during the NY session.**
- Apart from the post-NFP reflux, the **USD-KRW** saw an extra lift from the ongoing Japan-Korea trade spat, essentially taking the pair towards the 1180.00 range. We see a near-term cap at 1190.00, with support coming in at 1174.50. Any resolution of the trade spat, on the other hand, may see the KRW recover its recent underperformance relative other Asian currencies.
- Asia flow environment** – Portfolio inflow environment continues to be supportive for Asian currencies, but a **near-term top may have been seen.** In South Korea and Thailand, bond inflow momentum has essentially reached satiation levels (60-day rolling sum reaching recent historical highs), and is turning softer. Indonesia, meanwhile, continues to hold up on both the equity and bond fronts.
- USD-SGD: No follow-through from Friday.** The USD-SGD consolidated within the vicinity of the 1.3600 pivot, essentially outperforming Asian counterparts (save CNH). Expect some consolidation on a lower USD-CNH and ahead of further Fed cues, as we expect a 1.3570-1.3630 range in the interim. The SGD NEER firmed to +1.58% above its perceived parity (1.3822) this morning, with NEER-implied USD-SGD thresholds also climbing.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1156	1.1200	1.1213	1.1238	1.1300
GBP-USD	1.2481	1.2500	1.2514	1.2600	1.2736
AUD-USD	0.6900	0.6952	0.6962	0.7000	0.7048
NZD-USD	0.6591	0.6600	0.6626	0.6700	0.6712
USD-CAD	1.3050	1.3080	1.3100	1.3294	1.3338
USD-JPY	107.05	108.00	108.83	108.98	109.00
USD-SGD	1.3503	1.3600	1.3609	1.3643	1.3656
EUR-SGD	1.5226	1.5238	1.5260	1.5300	1.5347
JPY-SGD	1.2492	1.2500	1.2505	1.2532	1.2600
GBP-SGD	1.6986	1.7000	1.7030	1.7100	1.7361
AUD-SGD	0.9361	0.9400	0.9474	0.9493	0.9500
Gold	1315.48	1328.90	1395.20	1400.00	1441.00
Silver	14.90	14.95	14.97	15.00	15.53
Crude	50.76	57.40	57.45	57.50	58.12

Source: OCBC Bank

Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale	
	TACTICAL							
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	STRUCTURAL							
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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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