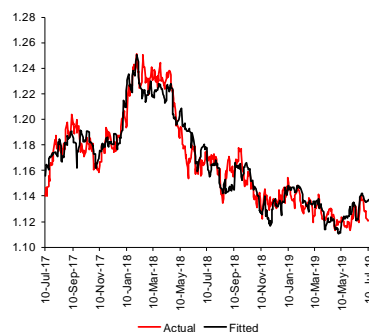


Wednesday, July 10, 2019

Market Themes/Strategy/Trading Ideas

- With US yields continuing to capitulate higher (still on a bear steepening bias) and non-dovish comments from the Fed's Harker (non-voter), the USD shaded higher again in G10 space on Wednesday. Meanwhile, the cyclicals retreated across the board while the GBP also trailed its peers. On the back of wobbly global equities, the **FX Sentiment Index (FXSI)** lifted slightly within Risk-Neutral territory.
- **Global trade tensions not going away soon. Sino-US trade relations** remain a developing story with the US and China officials restarting the conversation over the phone earlier this week, although no details for the next face-to-face have been released. Going ahead, watch also for headlines surrounding **Indian-US trade relations** with US trade officials due in New Delhi later this week, with Trump again criticizing India's tariffs on US goods.
- **Consolidative mood up to Fed-centric risk events.** Structurally, note that the DXY has now managed to recover back above its 55-day MA (97.324) and **with odds of a 50bps cut at the end of the month now essentially ruled out, intra-day extension of discretionary USD strength may stall ahead of Powell's testimony before Congress (1400 GMT)**. Outside of dollar space, across like the GBP-CAD may continue to drip lower in view of the contrasting fundamentals.
- Apart from the Powell testimony, watch also for FOMC minutes (1800 GMT), a swathe of FedSpeak starting from George (0550 GMT) and the **BOC** policy decision (1400 GMT).

EUR-USD



Reverting lower. Technical space towards 1.1180 remains on the cards with resistance seen at the 55-day MA (1.1232) but Powell tonight may set the tone for the rest of the week. Note however that short term implied valuations have also stabilized.

Treasury Research &
Strategy

Emmanuel Ng

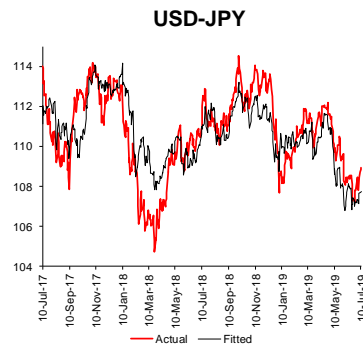
+65 6530 4037

ngcyemmanuel@ocbc.com

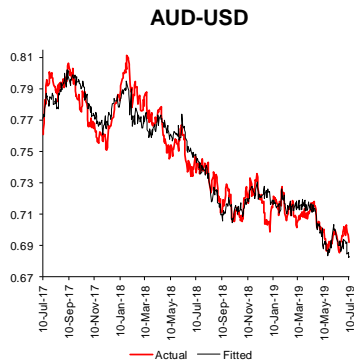
Terence Wu

+65 6530 4367

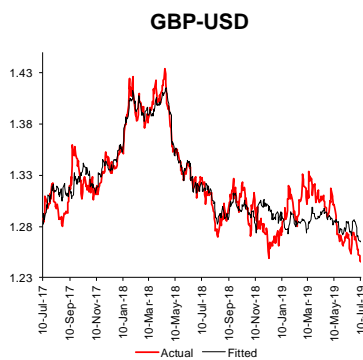
TerenceWu@ocbc.com



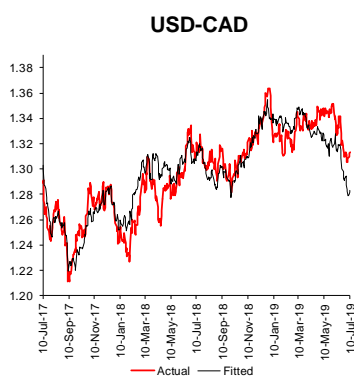
Bottomed for now. Short term implied valuations have bounced post-NFP but expect a pit stop ahead of the 55-day MA (109.16) despite buoyant short term technicals.



Neutralized. After the recent consolidation lower, expect some attempt to base out in the vicinity of 0.6900/20 despite a still heavy profile as depicted by the pair's short term implied valuations. In the interim, the 55-day MA (0.6957) should also limit on the upside.



Very slippery. The tepid economic data flow implies that gravity may continue to exert on the GBP-USD. With sentiment towards Brexit prospects decaying the GBP-USD have continued to overshoot its short term implied valuations on the downside. Ahead of Powell however, some consolidation may occur around 1.2440/50.

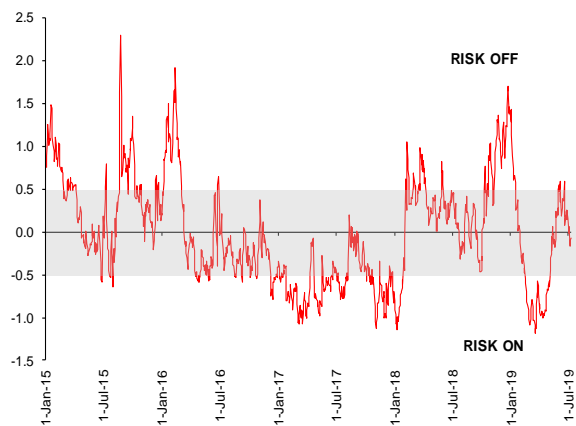


Consolidate. Despite relatively supportive economic data points, short term implied valuations are attempting to pause after the recent slump. Expect some limited room to extend towards 1.3170 with a floor expected at 1.3100 ahead of the Bank of Canada and Powell tonight.

Asian Markets

- USD-Asia: Flat-to-supported ahead of Fed-centric risks.** A negative lead for Asian currencies last night, with EM FX/equities softening against the USD overnight (MXN leading declines). Expect USD-Asia to stay afloat, at least up to the FOMC minutes and Powell’s testimony. In China, June CPI came in in-line with expectations, although the PPI print underperformed. Note some resilience in the RMB complex (USD-CNH below 6.9000 and CFETS RMB Index inching higher in the face of USD recovery), although it has imparted limited stability to the other Asian counterparts for now.
- BNM** on Tuesday held constant at 3.00% as expected. At this juncture, we think there are limited signs of urgency in terms of following up with further rate cuts, and the BNM may prefer a wait-and-see attitude for now. Elsewhere, the **BOT** continued to view financial conditions as “accommodative” and re-emphasized financial stability, even as it acknowledged softer growth and “external and domestic uncertainties”. Note that Governor Veerathai was explicitly non-committal in terms of rate cuts earlier this week.
- USD-SGD: Consolidative pending further cues.** The USD-SGD eased higher yesterday, but remained firmly within range. Expect it to bounce on any dip towards 1.3580, while any further topside extension may be capped by a congestion of resistance levels around 1.3640/55 (55-day and 200-day MAs). The SGD NEER is effectively static on the day at +1.58% above its perceived parity (1.3832), although the NEER-implied USD-SGD continued to climb on broad USD resilience.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1147	1.1200	1.1206	1.1238	1.1300
GBP-USD	1.2440	1.2442	1.2452	1.2500	1.2723
AUD-USD	0.6846	0.6900	0.6921	0.6949	0.7000
NZD-USD	0.6500	0.6590	0.6594	0.6600	0.6712
USD-CAD	1.3038	1.3100	1.3129	1.3200	1.3296
USD-JPY	107.01	108.00	108.91	108.93	109.00
USD-SGD	1.3503	1.3600	1.3620	1.3642	1.3657
EUR-SGD	1.5219	1.5238	1.5262	1.5300	1.5347
JPY-SGD	1.2482	1.2500	1.2505	1.2538	1.2600
GBP-SGD	1.6933	1.6942	1.6959	1.7000	1.7350
AUD-SGD	0.9361	0.9400	0.9426	0.9490	0.9500
Gold	1323.86	1331.27	1394.80	1400.00	1441.00
Silver	14.60	14.80	15.00	15.50	15.56
Crude	58.43	58.60	58.62	58.70	60.28

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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