

Monday, June 10, 2019

### Market Themes/Strategy/Trading Ideas – The week ahead

- Disappointing US May NFP readings (including hourly earnings numbers) dragged the USD lower across the board on Friday and took UST (and bund) yields another notch lower. Positive global equities also eased the pressure on negative sentiment, keeping the **FXSI (FX Sentiment Index) in Risk-Neutral territory**.
- Note however that positive news headlines over the weekend from the US-Mexico front (tariff suspension) has pushed UST futures lower and S&P500 futures higher in early trade in Asia on Monday. **In the coming sessions, while equity and bond markets have been displaying better conviction, cross currents may keep FX space a little more ambiguous.**
- **Weakened USD.** Post-NFP and amid mounting FOMC rate cut expectations, overarching USD fragility for G10 space may greet markets in Asia on Monday with JPY also seen vulnerable on improved risk appetite levels. Global trade tensions meanwhile remain a wildcard. The Yi-Gang-Mnuchin meeting over the weekend did not yield any undue negativity but Sino-US tensions may continue to simmer just under the surface ahead of a possible Trump-Xi meeting at the G20 meeting later this month.
- **Tactical long EUR-USD.** With the less dovish than expected outcome from the latest ECB meeting, we think the EUR-USD may have more upside in the near term, especially if FOMC rate cut expectations continue to circulate ahead of the 19 June meeting. From a spot ref of 1.1266 on Friday, we target 1.1465 and place a stop at 1.1165.

Treasury Research &  
Strategy

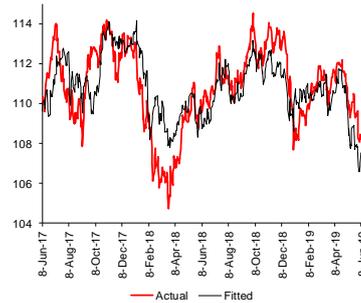
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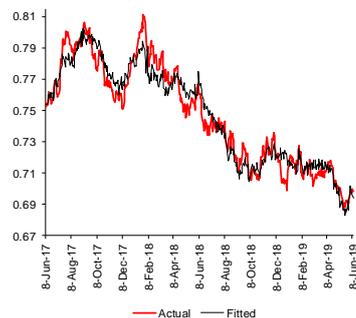
**Firming stance.** Disappointing German industrial production and downwardly revised GDP forecasts from the Bundesbank on Friday paled in comparison to the disappointing NFP numbers on Friday. Short term implied valuations for the EUR-USD are climbing and we note that the 200-day MA (1.1367) is now in the vicinity.

USD-JPY



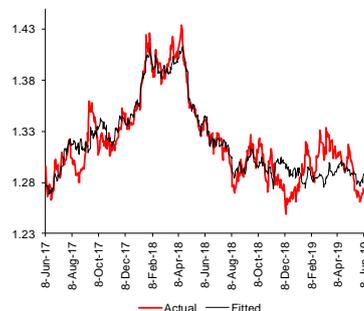
**Top heavy.** USD-JPY blipped higher on US-Mexico positivity early Asia on Monday while short term implied valuations for the pair are also looking slightly supported at this juncture. However, beyond the immediate term, inherent USD weakness we think may ultimately re-assert itself and we expect the 109.00 resistance to hold while scope for 107.70 remains apparent.

AUD-USD



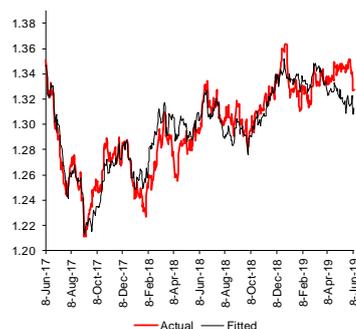
**Supported.** Sydney is away for a long weekend but the AUD-USD may continue to be tethered to the 0.7000 neighborhood. Short term implied valuations for the pair are looking to consolidate but price action may continue to see a bounce on dips within 0.6950 and the 55-day MA (0.7027). May labor market numbers on Thursday to provide some local flavor.

GBP-USD



**Top heavy.** Near term USD weakness may seep into the pair with short term implied valuations also attempting to base build. However, with the GBP still mired in Brexit uncertainty (threat of a no-deal Brexit overhang), 1.2800 may continue to cap with support levels populating the 1.2500/50 region may continue to attract multi-session.

USD-CAD

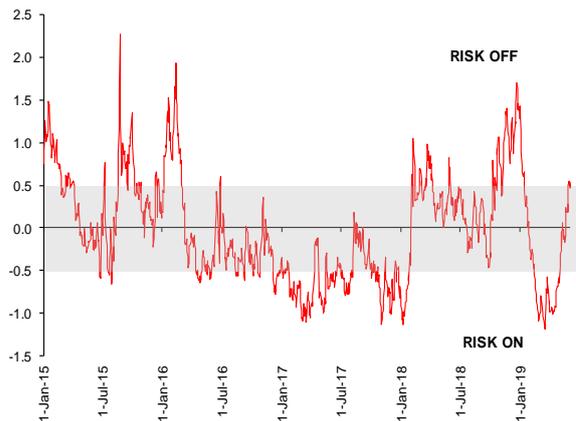


**Softer.** The CAD outperformed on Friday on optimism surrounding a US-Mexico trade deal and USD-CAD may continue to drive lower given the positive news flow over the weekend (suspension of US tariffs). The pair has pierced its 200-day MA (1.3274) and may look to consolidate slightly after its recent descent.

### Asian Markets

- USD-Asia: Renminbi remains the arbiter for the region.** PBOC governor Yi Gang's comments on the RBM (and scope for monetary policy) from on Friday may keep USD-CNH supported in the near term and ultimately continue to put a floor on USD-Asia despite the positive after glow from firmer global equities. The Asian calendar this week includes trade numbers from various economies while the string of data releases out of China (starting with the May trade numbers today) will be closely watched.
- Improving bond inflows.** Meanwhile, while net equity out flows may finally improve in the near term, the chilling impact from global core curves we think will continue to translate into Asia. To this end, note very strong net bond inflows of late into South Korea, improving net bond flows into India, while net bond/equity inflows into Thailand have picked up rapidly.
- USD-SGD: Top heavy.** USD-SGD may still be slightly responsive to a heavy USD complex but as stated above, the renminbi complex will likely have the final say. In the interim, the 200-day MA (1.3655) and 1.36670 may cap near term upticks, with 1.3600 expected to cushion. Meanwhile, the SGD NEER is softer at +1.47% above its perceived parity (1.3851) with NEER-implied USD-SGD thresholds firmer on the day.

#### FX Sentiment Index



Source: OCBC Bank

#### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1210	1.1226	1.1259	1.1300
GBP-USD	1.2559	1.2600	1.2685	1.2700	1.2915
AUD-USD	0.6865	0.6900	0.6966	0.7000	0.7002
NZD-USD	0.6482	0.6600	0.6624	0.6630	0.6638
USD-CAD	1.3400	1.3418	1.3421	1.3500	1.3522
USD-JPY	107.93	108.00	108.27	109.00	110.61
USD-SGD	1.3638	1.3656	1.3665	1.3700	1.3837
EUR-SGD	1.5300	1.5305	1.5340	1.5400	1.5424
JPY-SGD	1.2413	1.2600	1.2621	1.2697	1.2700
GBP-SGD	1.7269	1.7300	1.7333	1.7400	1.7612
AUD-SGD	0.9460	0.9500	0.9518	0.9570	0.9578
Gold	1288.90	1300.00	1327.50	1329.94	1343.30
Silver	14.25	14.70	14.78	14.80	14.81
Crude	50.93	51.70	51.71	51.80	59.94

Source: OCBC Bank

**Trade Ideas**

	Inception		B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale	
<b>TACTICAL</b>								
1	14-May-19		S	AUD-JPY	76.12	73.90 77.20	Escalating Sino-US trade tensions	
2	07-Jun-19		B	EUR-USD	1.1266	1.1465 1.1165	Pitting the ECB against the FOMC	
<b>STRUCTURAL</b>								
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<b>RECENTLY CLOSED TRADE IDEAS</b>								
	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

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