

Friday, May 10, 2019

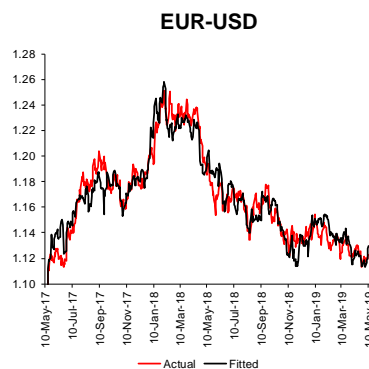
**Market Themes/Strategy/Trading Ideas**

- Amid a flurry of headlines from US and China, market jitters and USD strength reversed slightly by late NY on Thursday although we note that the **CHF** and the **JPY** still managed to retain the bulk of their intra-day gains.
- Still negative EZ/US equities coupled with North Korean missile headlines and US-Iran tensions, the **FXSI (FX Sentiment Index)** continued to shrink higher within Risk-Neutral territory. Elsewhere, UST (and other core govie) yields eased on a safety bid. This week, risk premiums (especially in EM) have pushed noticeably wider and carry strategies have turned south (both in G10 and Asia), pointing to towards an acute adjustment in the market's risk appetite demeanor.
- **Headline watching.** For today, Sino-US trade talks are currently still underway with the 0401 GMT tariff deadline apparently still live. If the tariffs are enacted today, expect any retaliatory responses from China even as talks may be expected to drag beyond Friday. As such, market participants may in the interim remain less than enamored with risk-taking behavior. On the calendar, look also to the RBA's Statement on Monetary Policy at 0130 GMT, while central bank rhetoric comes in the form of 5 ECB and 3 Fed appearances today. On the data front, US April CPI and Canadian labor market numbers are due at 1230 GMT.

Treasury Research &  
Strategy

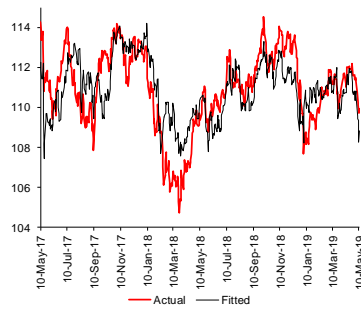
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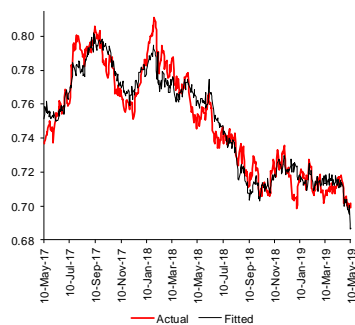
**Stabilizing.** EUR-USD's short term implied valuations are attempting to hook higher (for now) with sentiment towards the EZ holding up relatively well in the face of the current Sino-US spat. A supported 1.1200-1.1250 range should govern in the coming hours ahead of any Sino-US headlines.

**USD-JPY**



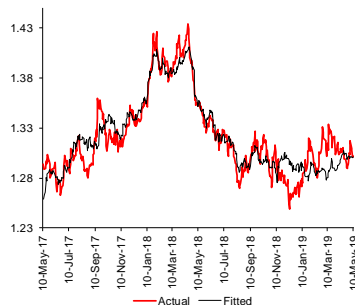
**Heavy.** Short term implied valuations (and technicals) for the USD-JPY remain under negative pressure but much will hinge on risk appetite volatility into the end of the week. Expect a 109.70-110.30 range to prevail in the interim.

**AUD-USD**



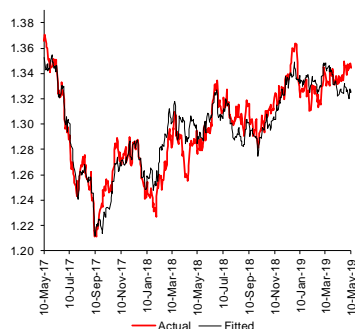
**Top heavy still?** The RBA's Monetary Policy Statement this morning did not reveal an unduly sour outlook (despite the downgraded GDP/CPI forecasts) and the pair may continue to look to Sino-US headlines for cues. Despite yet heavier short term implied valuations, 0.7000 may anchor for now but 0.6925 may remain within reach if global negativity spikes again.

**GBP-USD**



**Familiar ranges.** GBP-USD may orbit its 100-day MA (1.3007) with short term implied valuations still stuck in a neutral rut. Cross party talks continue with little clear resolution in sight.

**USD-CAD**

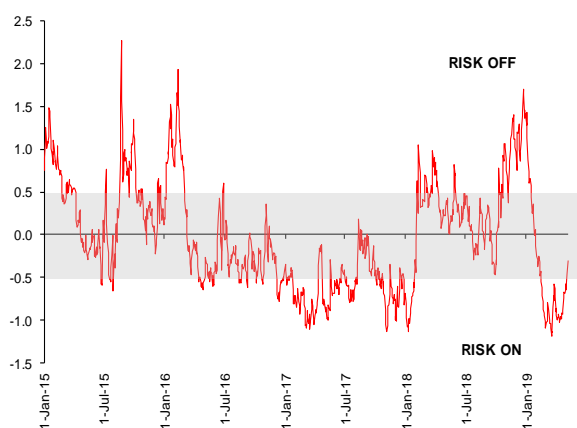


**Rangy.** Conflict between suppressed implied short term implied valuations for the USD-CAD and actual price discovery may continue to keep the pair trapped in recent ranges. Apart from risk appetite gyrations, look to the Canadian labor market numbers for further guidance. A 1.3400-1.3500 range may continue to prevail.

## Asian Markets

- USD-Asia: Epicenter.** EM FX melted lower against the USD as risk appetite continued to dwindle on Thursday but managed to stabilize retrace slightly in line with the majors into the end of the global day. After breaching 6.8600 briefly overnight, USD-CNH also managed to capitulate lower slightly. Ahead of the Sino-US related headlines today, expect investors to remain benched but cautious of discrete 2-way volatility.
- China's** April CPI/PPI numbers continue to indicate implicit price pressure within the economy while credit creation/monetary aggregates, although slightly disappointing continue to imply an attempt at stabilization. On other fronts, against a backdrop of disappointing 1Q GDP numbers, the BSP delivered 25bps cuts to its benchmark rates as widely expected (telegraphed). For today, look also to 1Q current account numbers from Indonesia and China.
- USD-SGD: Underpinned.** This morning, the SGD NEER is flat to softer at +1.56% above its perceived parity (1.3840) with NEER-implied USD-SGD thresholds easier on the day. The 200-day MA (1.3652) remains in sight while dips may be floored at 1.3620 pending Sino-US headlines today.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

|         | S2      | S1      | Current | R1      | R2      |
|---------|---------|---------|---------|---------|---------|
| EUR-USD | 1.1100  | 1.1118  | 1.1130  | 1.1136  | 1.1200  |
| GBP-USD | 1.2866  | 1.2881  | 1.2890  | 1.2900  | 1.2961  |
| AUD-USD | 0.7000  | 0.7015  | 0.7019  | 0.7100  | 0.7107  |
| NZD-USD | 0.6600  | 0.6607  | 0.6636  | 0.6700  | 0.6728  |
| USD-CAD | 1.3337  | 1.3400  | 1.3477  | 1.3483  | 1.3500  |
| USD-JPY | 111.31  | 111.51  | 111.68  | 112.00  | 112.35  |
| USD-SGD | 1.3543  | 1.3600  | 1.3616  | 1.3617  | 1.3652  |
| EUR-SGD | 1.5150  | 1.5153  | 1.5154  | 1.5200  | 1.5280  |
| JPY-SGD | 1.2100  | 1.2167  | 1.2191  | 1.2200  | 1.2212  |
| GBP-SGD | 1.7521  | 1.7547  | 1.7551  | 1.7600  | 1.7694  |
| AUD-SGD | 0.9542  | 0.9546  | 0.9557  | 0.9600  | 0.9625  |
| Gold    | 1264.23 | 1266.00 | 1275.80 | 1299.97 | 1300.00 |
| Silver  | 14.77   | 14.90   | 14.94   | 14.98   | 15.00   |
| Crude   | 61.11   | 64.70   | 64.79   | 64.80   | 66.60   |

Source: OCBC Bank

### Trade Ideas

|   | Inception                          |           | B/S | Currency   | Spot/Outright | Target Stop/Trailing Stop | Rationale  |          |
|---|------------------------------------|-----------|-----|--|---------------|---------------------------|--|----------|
|   | <b>TACTICAL</b>                    |           |     |  |               |                           |  |          |
| 1 | 24-Apr-19                          |           | S   | GBP-USD  | 1.2933        | 1.2495 1.3155             | Sustained Brexit uncertainty and pressure to oust PM May                 |          |
|   | <b>STRUCTURAL</b>                  |           |     |  |               |                           |  |          |
| 2 | 19-Mar-19                          |           |     | Long 2M USD-SGD 25-delta strangle<br>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 |          |
|   | <b>RECENTLY CLOSED TRADE IDEAS</b> |           |     |  |               |                           |  |          |
|   | Inception                          | Close     | B/S | Currency   | Spot          | Close                     | Rationale  | P/L (%)* |
| 1 | 05-Mar-19                          | 11-Apr-19 | S   | AUD-USD  | 0.7074        | 0.7159                    | Potentially dovish RBA, macro conditions soggy                           | -1.13    |
| 2 | 15-Apr-19                          | 24-Apr-19 | B   | AUD-USD  | 0.7167        | 0.7055                    | Near term recovery in global macro sentiment                             | -1.61    |

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