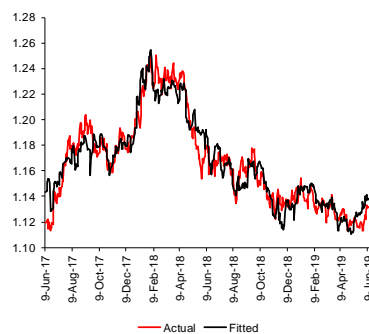


Tuesday, June 11, 2019

### Market Themes/Strategy/Trading Ideas

- The dollar ended mildly firmer against the majors on Monday on the back of US-Mexico positivity (migration deal/tariffs averted) and firmer UST yields while disappointing China trade numbers dragged the antipodeans lower across the board. Meanwhile, the EUR was additionally weighed after a wire report indicated that the ECB is amenable to rate cuts if growth continues to weaken this year, with an unnamed source also mentioning the EUR's (recent) appreciation. Investor sentiment picked up amid positive global equities while global core govie yields also firmed. As such, the **FXSI (FX Sentiment Index)** slipped lower within Risk-Neutral territory.
- Going ahead, **Sino-US trade tensions** are expected to persist with Trump threatening further tariffs if no headway is made with China President Xi at the G20 meeting. Thus far, China has not confirmed Xi's attendance. On other fronts, continue to look towards central bank rhetoric today for further guidance, with the ECB's Nowotny at 0600 GMT, the BOE's Saunders and Broadbent at 0900 GMT, the ECB's Kazmir at 1030 GMT, and the RBA's Kent at 2325 GMT.
- **Fade Monday's USD strength.** In the interim, equity and bond markets may exhibit more directionality as opposed to the FX market. Overall, we would hesitate to tray to extrapolate from yesterday's price action, i.e., positive risk appetite equating to USD resilience. Instead, speculation surrounding next week's FOMC may continue to drive price discovery instead.

EUR-USD



**Firming stance.** Short term implied valuations are holding steady despite the cited ECB comments from overnight. Multi-session, expect a 1.1280 floor with 1.1350 resistance seen as an initial draw.

Treasury Research &  
Strategy

**Emmanuel Ng**

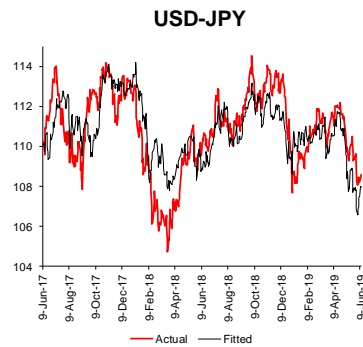
+65 6530 4037

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

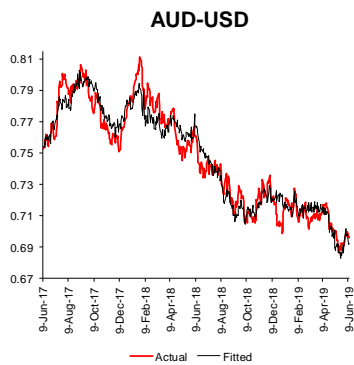
**Terence Wu**

+65 6530 4367

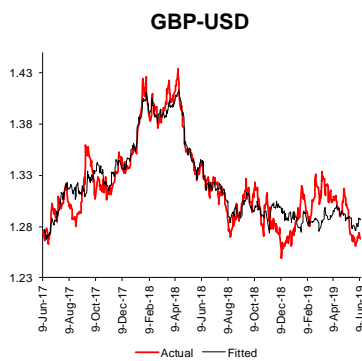
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)



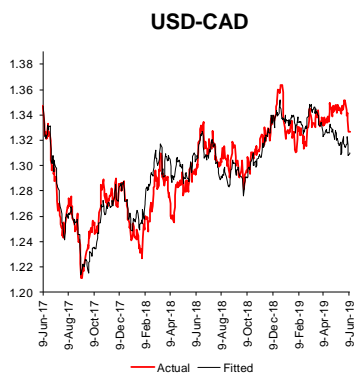
**Top heavy.** The BOJ's Kuroda assured the markets of further monetary stimulus if needed but the pair we think may not make much headway beyond 109.00 despite stabilizing short term implied valuations. Expect a 108.00-109.00 range to prevail ahead of the US CPI numbers on Wednesday.



**Collect dips.** The disappointing China trade numbers may neutralize the topside bias for the AUD-USD somewhat before the Australian labor market numbers this Thursday. With short term implied valuations consolidating lower slightly, prefer to collect dips towards 0.6930 instead.



**Top heavy.** The disappointing UK data feed (GDP, industrial production) on Monday continued to weigh on the pound. Despite fairly supported short term implied valuations, uncertainty may prevail with the Conservative Party still searching for May's successor. Continue to retain a preference to fade upticks towards 1.2750 for 1.2650 before 1.2600.

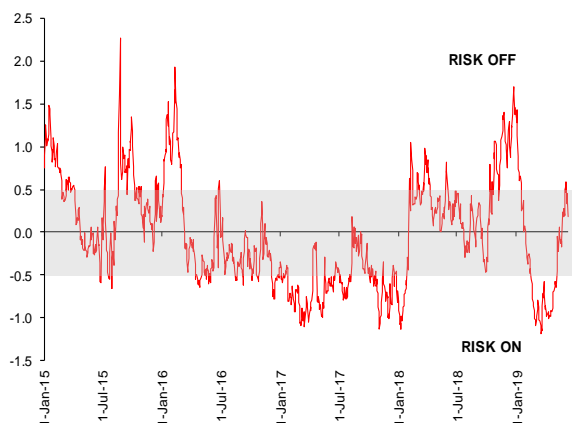


**Softer.** USD-CAD may orbit its 200-day MA (1.3275) in the near term but note that short term implied valuations remain heavy. Structurally, the FOMC is perceived to be on a more slippery slope compared to the Bank of Canada. Risk on a multi-session horizon may remain skewed to the south.

### Asian Markets

- USD-Asia: Eyes still on China.** China’s disappointing May import numbers reintroduced an element of uncertainty into Asian markets, and will keep investors’ eyes peeled for further Chinese data releases, starting from CPI tomorrow, scheduled for later this week. The PBOC governor Yi Gang’s comments on the RMB lifted the USD-CNH briefly above the 6.9500 levels on Monday, but normal service (ie. below 6.9000) remained in the USD-CNY morning fixes. We think that may disappoint RMB-bears for now, as the USD-CNH and USD-CNY again ease lower within the 6.9000 – 6.9500 range. At this juncture, a more significant catalyst may still be needed to move the pairs out of that range. Thus, apart from equities and risk appetite gyrations, expect Asian markets to continue to look to the renminbi complex for cues.
- Overall, we retain a bias for a higher USD-Asia on the back of softer macro prints out of Asia.** Apart from weak China import numbers, note also disappointing May export/import readings out of Taiwan on Monday (and weaker than expected Philippine imports this morning), adding on to the weak May trade numbers from South Korea earlier in the month. India’s May trade numbers also due this week. **Overall, we expect the run of Asian trade numbers to confirm the market suspicion that the Asian economy stumbled again into 2Q 19.**
- Asian flow environment: Some easing of equity outflows.** On aggregate terms, equity outflow momentum may be starting to ease, even as bond inflow momentum continues to print higher. This eased outflow momentum from equity-heavy economies like Taiwan, Philippines and Malaysia. At this juncture, a more sustained return of equity flows may require a significant turn in overall risk appetite in Asia. We remain hesitant to call for that this at point. Notwithstanding that, the revival of portfolio inflows persists for India and Thailand, with improvements seen on both the bond and equity fronts. Meanwhile, bond inflow momentum continues to climb unabated in South Korea, even if it is at historical highs.
- USD-SGD: Tight range for now.** The USD-SGD may continue to pivot around the 200-day MA (1.3655), with the 55-day MA (1.3636) providing immediate cushion, before 1.3600. Meanwhile, upside may be capped at 1.3680. On the SGD NEER front, we stand at +1.45% above its perceived parity (1.3856), with NEER-implied USD-SGD thresholds again firmer on the day.

#### FX Sentiment Index



Source: OCBC Bank

#### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1217	1.1300	1.1308	1.1326	1.1348
GBP-USD	1.2585	1.2600	1.2679	1.2700	1.2803
AUD-USD	0.6865	0.6900	0.6955	0.7000	0.7007
NZD-USD	0.6550	0.6580	0.6600	0.6628	0.6653
USD-CAD	1.3200	1.3226	1.3268	1.3271	1.3275
USD-JPY	107.82	108.00	108.60	109.00	110.44
USD-SGD	1.3644	1.3655	1.3658	1.3700	1.3837
EUR-SGD	1.5310	1.5400	1.5445	1.5455	1.5465
JPY-SGD	1.2457	1.2500	1.2576	1.2600	1.2685
GBP-SGD	1.7266	1.7300	1.7316	1.7400	1.7587
AUD-SGD	0.9442	0.9459	0.9499	0.9500	0.9569
Gold	1291.12	1300.00	1328.40	1346.51	1347.70
Silver	14.25	14.60	14.69	14.70	14.79
Crude	50.60	53.40	53.47	53.50	59.73

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>								
	--			--			--	
<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

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

---