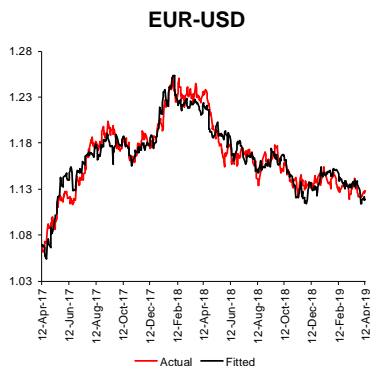


Friday, April 12, 2019

Market Themes/Strategy/Trading Ideas

- Boosted by resultant firmer UST yields, the dollar strengthened across the board on Thursday following warmer than expected March PPI numbers while weekly initial jobless claims were also lower than expected. Fed rhetoric (Clarida, Williams, Bullard) meanwhile was also supportive and not unduly dovish. The cyclicals also underperformed as risk appetite wavered (note shaky global equities) slightly. However, the **FXSI (FX Sentiment Index)** still ticked lower within Risk-On territory.
- US earnings numbers later today may dictate price action into the end of the week although we see relative underperformance by the European complex (in terms of FX) to persist. Structurally, note that short end vols have tumbled in the month-to-date with market participants increasingly unfazed.



Short term implied valuations for EUR-USD are holding relatively steady at this juncture and markets may remain trapped to slightly top heavy. Preference to peak out at the 55-day MA (1.1317) with a floor expected at 1.1215. **Multi-session bias from our perspective remains to the downside considering contrasting Fed/ECB dynamics.**

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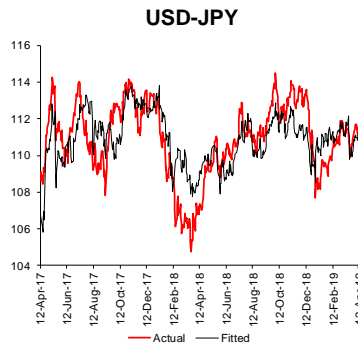
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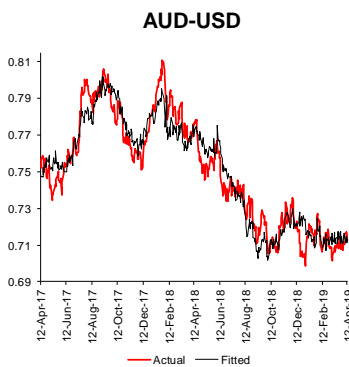
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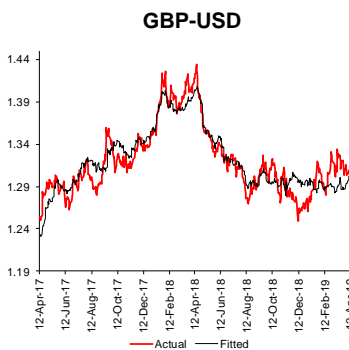
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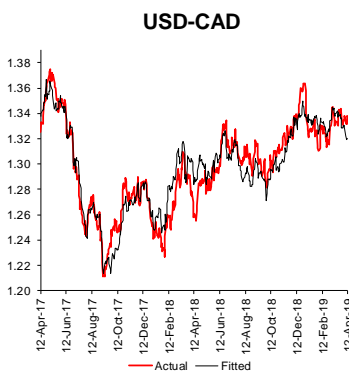
With US yields flexing again, short term implied valuation and technicals for the USD-JPY are looking relatively constructive as we head into the end of the week. While not being excessively bullish (being mindful of risk appetite gyrations), any ability to persist above its 200-day MA (111.51) may invite an attempt towards 112.15.



Remain constructive for upside. The RBA's Financial Stability Report this morning may provide more fuel for bears but we note that short term implied valuations remain stable. AUD-USD may find implicit support at the 55-day MA (0.7119) and an inclination towards 0.7170 is preferred instead.



Soggy. Short term implied valuations for the GBP-USD are lifting in the wake of the new Brexit extension. However, investors we think may remain leery given the potential for further uncertainty in the UK parliament. Our short term view remains unchanged and look to fade upticks towards the 55-day MA (1.3094) for 1.3015.



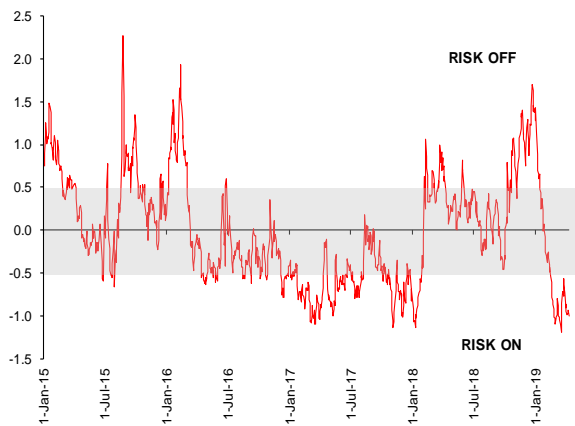
With crude capitulating slightly lower, USD-CAD may be looking slightly more supported in the near term in line with its implied valuations. Collect into dips towards the 100-day MA (1.3333) and look for potential to fill the headroom towards 1.3437 in the near term intra-day. The multi-session horizon may however remain top heavy for the pair.

Source: OCBC Bank

Asian Markets

- USD-Asia – Eyes on Chinese data.** EM FX also retreated against the greenback overnight while EM equities also stepped lower, leaving Asian FX slightly vulnerable to the USD during the Asian session. Notably, China CPI readings from yesterday were in-line with expectations, but may be discounted by the markets as it can be attributed to one-off factors affecting food prices. Focus will be on the Chinese data dump, including trade, aggregate financing and money supply prints.
- Asia flow environment – Divergence between equities and bonds.** With the exception of Indonesia, bond inflows continue to evaporate across our tracked economies. Equity inflows, in contrast, continue to accelerate higher in North Asia and Philippines, and hold stable at high levels in India. Overall, look to Indonesia, Taiwan and Philippines for improving inflow momentum as momentum from India and South Korea ease.
- USD-SGD – Steady after retracing from post-MAS blip.** The MAS kept all policy parameters unchanged in its MPS this morning. The SGD NEER dipped lower to +1.58% above its perceived parity (1.3790) in the immediate aftermath of the MAS decision, compared to +1.70% prior, but steadily retraced to the current +1.69% level. The USD-SGD followed a similar pattern, with an initial spike easing quickly. At this juncture, we do not think today’s statement provided sufficient cause to call for a sustained easing of the actual SGD NEER. We expect attention to shift quickly back to global cues. For now, expect a bounce on any dips towards the 55-day MA (1.3538) with 1.3585 an initial resistance.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1177	1.1200	1.1289	1.1300	1.1304
GBP-USD	1.2978	1.3000	1.3069	1.3092	1.3100
AUD-USD	0.7100	0.7109	0.7127	0.7155	0.7175
NZD-USD	0.6700	0.6714	0.6733	0.6734	0.6800
USD-CAD	1.3300	1.3304	1.3369	1.3400	1.3437
USD-JPY	111.00	111.51	111.71	112.00	112.20
USD-SGD	1.3500	1.3542	1.3567	1.3585	1.3600
EUR-SGD	1.5300	1.5308	1.5315	1.5366	1.5400
JPY-SGD	1.2084	1.2100	1.2144	1.2200	1.2205
GBP-SGD	1.7680	1.7711	1.7730	1.7800	1.7934
AUD-SGD	0.9600	0.9627	0.9669	0.9687	0.9698
Gold	1279.50	1280.27	1288.60	1300.00	1306.48
Silver	14.87	14.90	14.93	15.00	15.02
Crude	61.50	63.70	63.74	63.80	64.79

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale		
TACTICAL								
1	05-Mar-19	S	AUD-USD	0.7074	0.6870 0.7175	Potentially dovish RBA, macro conditions soggy		
STRUCTURAL								
2	19-Mar-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		
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	27-Feb-19	13-Mar-19	S	1M THB-PHP	1.6536	1.6750	Contrasting flow dynamics	-1.29
2	07-Mar-19	13-Mar-19	B	USD-CAD	1.3430	1.3315	BOC stalls in its tightening bias	-0.85
3	23-Jan-19	21-Mar-19	B	GBP-AUD	1.8159	1.8440	Contrasting risk profiles in the near term	+1.35
4	14-Feb-19	25-Mar-19	B	USD-JPY	111.00	109.98	Dollar resilience, revival in risk appetite levels	-0.61
5	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
6	02-Apr-19	05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79

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