

Friday, July 12, 2019

**Market Themes/Strategy/Trading Ideas**

- **Little follow through.** A day after Powell's testimony, the dollar ended mixed against its G10 counterparts and reclaimed its intra-day lows against the EUR and JPY following better than expected US June CPI and weekly initial claims readings. On this front, UST (and other global core govie) yields bounced, XAU and CHF reverted lower against the greenback. On the antipodeans managed to hold some gains on the dollar, with global sentiment on the mend.
- Markets may continue to vacillate ahead of the 31 July FOMC with comments from the Fed's Williams, Bostic and Barkin (latter 2 are non-voters) not excessively dovish. The latest US CPI (and NFP) readings are also unlikely to materially shift the Fed's dimmer prognosis (and the market's reckoning for a 25bps cut this month). Meanwhile, ongoing chatter on potential intervention by the Trump administration may also undermine the USD in the short-term. On net, we expect the USD to settle into a slightly heavy tone in the run-up to the FOMC.
- On other fronts, with overly bearish Fed-linked expectations being re-priced, expect alleviation of downside pressure for global yields in the near term.



**Bottomed but tentative.** ECB meeting minutes revealed a consensus to prep for further monetary easing. However, the pair may remain tensioned from both directions and remain trapped in a range into the end of the week. Meanwhile, short term implied valuations are slightly underpinned and expect some support around the 55-day MA (1.1237) with initial resistance seen at 1.1300.

Treasury Research &  
Strategy

**Emmanuel Ng**

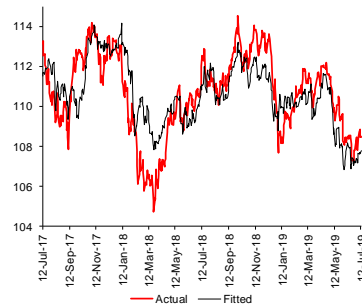
+65 6530 4037

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

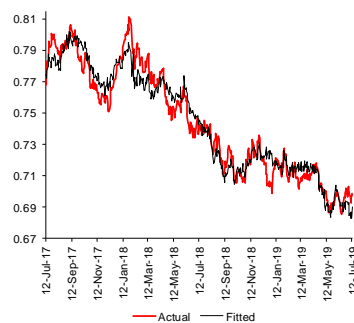
**Terence Wu**

+65 6530 4367

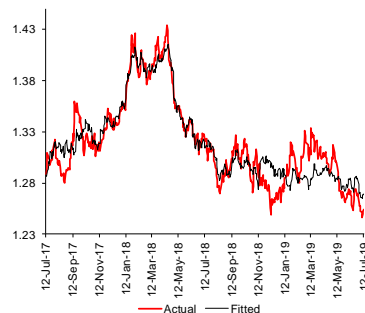
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**USD-JPY**

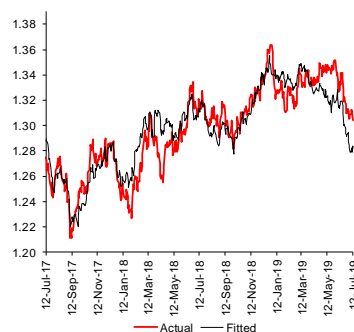
**Neutral.** USD-JPY may also remain similarly constrained in either direction despite heavy structural arguments. Short term implied valuations for the pair are underpinned at this juncture and expect a 108.20-109.00 range for now.

**AUD-USD**

**Supported on dips.** AUD-USD may attempt to build on any inkling of macro positivity with short term implied valuations also attempting to base build. Expect up ticks to run into offers towards 0.7010/20 with the 55-day MA (0.6956) seen cushioning.

**GBP-USD**

**Stay top heavy.** Upside scope for the GBP-USD remains limited given the domestic backdrop (Johnson/Brexit and BOE) and despite short term implied valuations for the pair attempting to bottom (temporarily). Expect the GBP-USD to ply a 1.2470-1.2580 range.

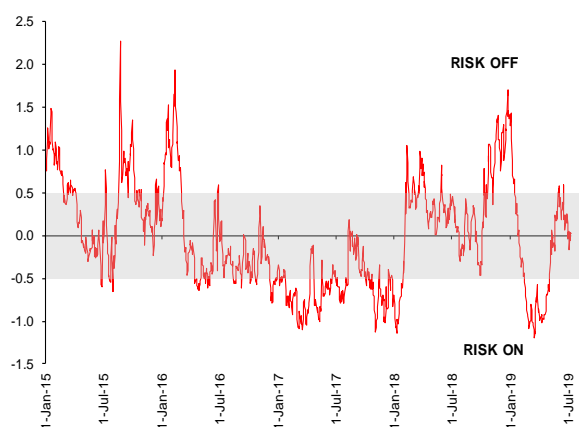
**USD-CAD**

**Softer.** Short term implied valuations for USD-CAD continue to drill lower with little ambiguity, and we think this may be a manifestation of contrasting central bank expectations. Fade any rallies to 1.3100 for 1.3000 instead.

## Asian Markets

- **USD-Asia: Limited follow-through on the downside.** After the knee-jerk lower yesterday, there was limited follow-through for USD-Asia, which most pairs recovering from initial losses. Thus, despite the positive lead from EM FX/equities overnight, we think the aftertaste of USD resilience from overnight may prevail into the Asian session today.
- The market will be on the lookout for Chinese June trade data (0700 GMT) and money supply aggregates today. With limited concrete news-flow on trade developments, look for the USD-CNH and USD-CNY to stay within the 6.8500-6.9000 ranges, with the data releases perhaps determining directionality within this range for now.
- **USD-SGD: Domestic factors back in play.** The disappointing flash estimates for 2Q GDP this morning has lifted the USD-SGD further. Going ahead, expect implicit pressure for the SGD NEER to continue to veer away from the extreme strong end of its fluctuation band. The basket is currently +1.43% above its perceived parity (1.3738) with the 1.00% threshold situated at 1.3647. This translates to some room for the USD-SGD to search higher, with the 100-day MA (1.3603) possibly attracting for now. Structurally, expect increasing expectations for a softening NEER stance at the October MPS.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1242	1.1264	1.1300	1.1325
GBP-USD	1.2440	1.2500	1.2536	1.2600	1.2701
AUD-USD	0.6900	0.6949	0.6985	0.7000	0.7048
NZD-USD	0.6592	0.6600	0.6674	0.6700	0.6715
USD-CAD	1.3000	1.3037	1.3041	1.3100	1.3297
USD-JPY	107.05	108.00	108.36	108.80	108.99
USD-SGD	1.3500	1.3503	1.3578	1.3600	1.3640
EUR-SGD	1.5215	1.5238	1.5294	1.5300	1.5350
JPY-SGD	1.2474	1.2500	1.2530	1.2550	1.2600
GBP-SGD	1.6933	1.7000	1.7020	1.7100	1.7309
AUD-SGD	0.9362	0.9400	0.9485	0.9487	0.9500
Gold	1340.11	1400.00	1410.70	1441.00	1447.32
Silver	14.97	15.00	15.07	15.10	15.49
Crude	58.32	60.50	60.57	60.60	60.94

Source: OCBC Bank

### Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale	
	TACTICAL							
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	STRUCTURAL							
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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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