

Monday, May 13, 2019

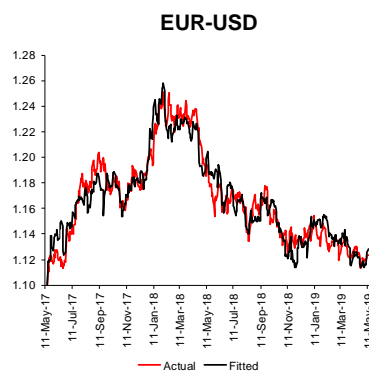
### Market Themes/Strategy/Trading Ideas – The week ahead

- The USD (and JPY) weakened slightly against their counterparts on Friday on somewhat encouraging headlines (but no resolution) out of Sino-US talks and despite the US imposing increased tariffs on USD200bn of Chinese imports. Elsewhere, US April CPI readings proved sanguine. Positive EZ/US/EM equities and attempted optimism towards Sino-US relations saw the **FXSI (FX Sentiment Index)** inching lower within Risk-Neutral territory on Friday but we expect the Index to once again tick higher at the onset of the week.
- **Risk off again.** Early Monday in Asia, the USD started on a stronger footing against the cyclicals with the USD-JPY also stepping lower after it was reported that the US administration has given China month to agree to a trade deal or face additional tariffs on another USD325bn of exports (**these plans are scheduled to be revealed today**). Associated equity futures are softer and UST futures are also firmer in reaction.
- **We think there are two key issues to monitor at this juncture:** Firstly, the **Fed's response** (and in reaction, global central banks' reaction) and whether this will precipitate a more dovish slant out of the Fed. Markets will have ample opportunity to evaluate this aspect this week, starting with Rosengren, Clarida (1305 GMT) and Kaplan (1720 GMT) today. Secondly, investors will be on the lookout for any **retaliatory moves from China**, amid background expectations for the **renminbi** complex to weaken in reaction to weaker growth prospects.
- On the **CFTC** front, large non-commercial accounts pared their net implied long dollar bias slightly in the latest week but leveraged accounts increased their long dollar bias instead. However, asset manager accounts increased their net implied short dollar bias in the same period.

Treasury Research &  
Strategy

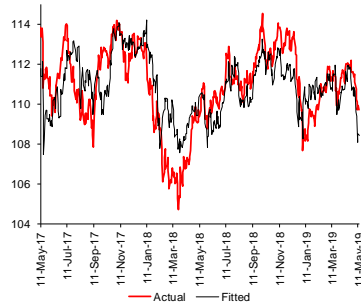
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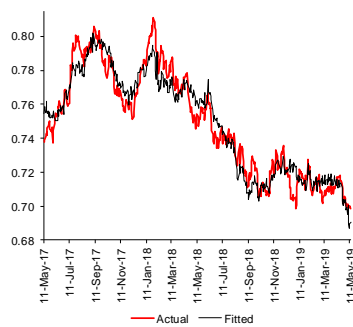
**Stabilizing.** Fed/ECB appearances this week may be interesting to watch given the potential shift in forward guidance in light of heightened Sino-US trade friction. In the interim, short term implied valuations are a touch firmer and EUR-USD may be slightly supported within 1.1215-1.1260 in the interim.

**USD-JPY**



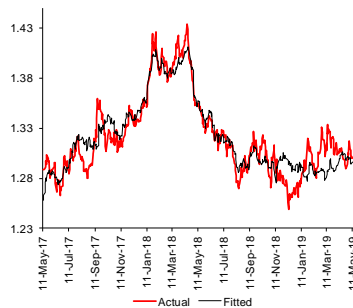
**Heavy.** Short term implied valuations are stabilizing somewhat but the pair may still be given to downside probes if negative static from the risk appetite front deepens. A temporary cap may be expected towards 110.10 while a sustained breach of 109.55 multi-session may invite 108.60.

**AUD-USD**



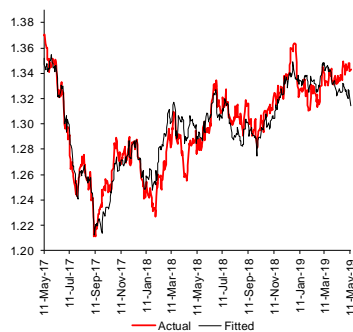
**Deep south.** Australian April labor market numbers are due on Thursday but the AUD-USD may remain implicitly skewed to the downside in the current environment and with short term implied valuations also heavy. Intraday expect investors to fade 0.7020 for 0.6960.

**GBP-USD**



**Familiar ranges.** Upside potential for the GBP-USD may remain limited (pair is seen slightly top heavy in fact) with cross-party talks yielding little of substance thus far and expected to continue today. Short term implied valuations for GBP-USD remain relatively static and the 100-day MA (1.3010) may continue to anchor within 1.2950-1.3050.

**USD-CAD**

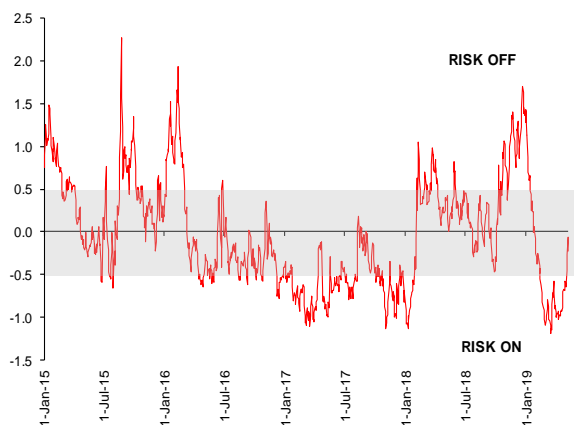


**Conflicted.** The CAD was given an additional boost from better than expected April labor market numbers on Friday. Going ahead, despite heavy short term implied valuations for the USD-CAD, the drag on the loonie from Sino-US trade tensions may however limit downside potential for the pair with the 55-day MA (1.3374) seen supporting while 1.3500 may continue to cap.

## Asian Markets

- USD-Asia: Focus on the renminbi’s reaction to trade developments.** The USD-CNH popped above 6.8700 early Monday in Asia and renewed investor jitters may be expected to drag USD-Asia higher at the onset of the week. On the macro front, the Chinese data stream remains in focus this week, with April industrial production and retail sales scheduled for Wednesday. **Bank Indonesia** meets on Thursday and in the current environment, expect the central bank to remain steadfastly static relative to its benchmark policy parameters.
- On the EPFR front,** net implied equity outflows from Asia (excl China, Japan) deepened in the latest week while net implied bond inflows increased in the same period. With respect to China, net implied China outflows increased significantly in the latest week while net implied net bond inflows also decreased.
- USD-SGD: Still underpinned.** The SGD NEER eased slightly to +1.52% above its perceived parity (1.3847), while the NEER-implied USD-SGD thresholds firmed up marginally as well. The 200-day MA (1.3652) will continue to be tested, although that level may prove tenuous if the ascent in the USD-CNH remains unabated. Meanwhile, near term dips may be limited to 1.3620. Watch also for the April NODX numbers due on Friday.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1128	1.1200	1.1233	1.1250	1.1292
GBP-USD	1.2958	1.3000	1.3010	1.3087	1.3100
AUD-USD	0.6919	0.6963	0.6980	0.7000	0.7081
NZD-USD	0.6527	0.6546	0.6582	0.6600	0.6719
USD-CAD	1.3389	1.3400	1.3438	1.3500	1.3521
USD-JPY	109.47	109.62	109.77	110.00	111.24
USD-SGD	1.3566	1.3600	1.3647	1.3652	1.3661
EUR-SGD	1.5300	1.5325	1.5329	1.5349	1.5400
JPY-SGD	1.2248	1.2400	1.2433	1.2455	1.2469
GBP-SGD	1.7700	1.7752	1.7755	1.7800	1.7891
AUD-SGD	0.9485	0.9500	0.9525	0.9600	0.9606
Gold	1266.00	1267.77	1285.70	1290.69	1291.86
Silver	14.60	14.70	14.72	14.80	14.93
Crude	61.30	61.50	61.58	61.60	66.36

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 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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