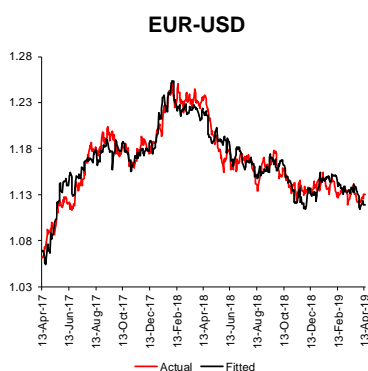


Monday, April 15, 2019

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

- The dollar (and JPY) was pressured lower across G10 space on Friday on improved sentiment. Investors were cheered by firmer than expected China March exports (but imports disappointed) as well as stronger than expected March money and lending aggregates. Markets were characterized by firmer UST (and global core govie) yields, positive global equities (friendly US earnings numbers). The **FXSI (FX Sentiment Index)** ticked higher but remained entrenched in Risk-On territory.
- **Trading on risk outlook.** Trading at the onset of the week may be dictated by positive risk appetite levels (with Trump also leaning against the Fed again over the weekend) as investors continue to sift for signs of recovery in the Chinese economy. Look to favor the cyclicals (and selected Asians) at the expense of the JPY as the search for yield ensues. Apart from being peppered with central bank appearances and more US earnings reports, ones to watch also include RBA meeting minutes on Tuesday, while the Bank of Korea is expected to stand pat at 1.75% on Thursday.



**Testing resistance.** Despite murmurings of retaliatory EU tariffs on the US, confident rhetoric from the ECB's Praet and Weidmann, and broad-based USD weakness may mask the softer implied valuations of the EUR-USD in the near term. From a tactical viewpoint, watch for any attempt to overcome the 55-day MA (1.1315) towards the 100-day MA (1.1349).

Treasury Research &  
Strategy

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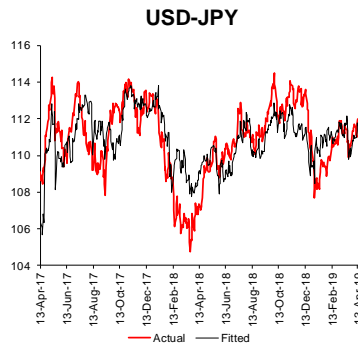
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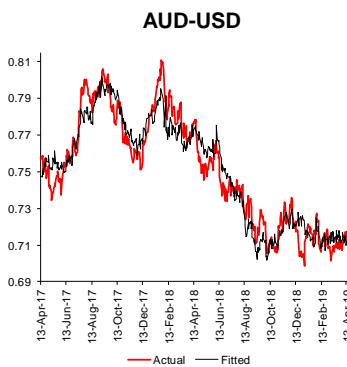
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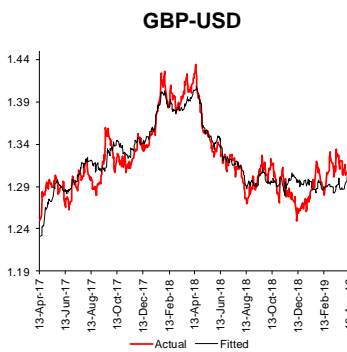
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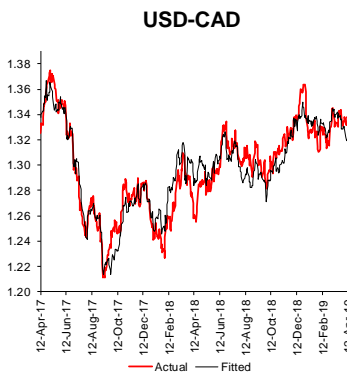
**Bouyancy expected.** US-Japan trade talks this week notwithstanding, expect USD-JPY to continue to lift on the back of risk appetite dynamics. With short term implied for the USD-JPY also floating higher, expect potential for the pair to surface above 112.00 and head towards 112.30/50.



**Remain constructive for upside.** Despite staid short-term implied valuations, the China complex may continue to keep the AUD-USD angled towards the upside in the near term. Watch for a break of the 200-day MA (0.7193) towards 0.7250.



**Soggy.** Despite increasingly supportive short term implied valuations, GBP-USD may remain excluded from the positive risk appetite party in the near term. Despite the Brexit delay, the domestic political arena remains highly uncertain and prefer to fade rallies towards 1.3130 for a relapse back towards 1.3050.



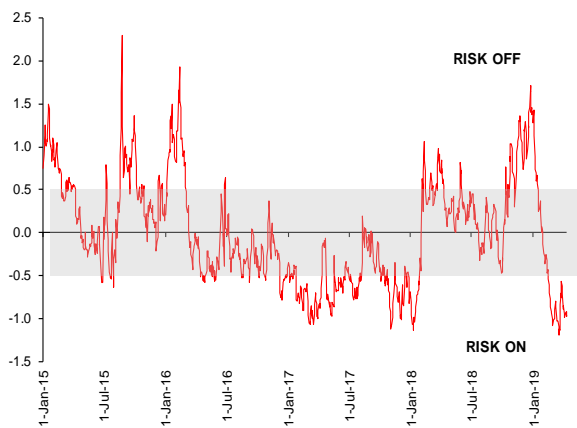
**Edging lower.** We continue to expect gravity to exert itself on the USD-CAD in the current risk appetite environment. Look to sell rallies towards 1.3370 for the 55-day MA (1.3293).

Source: OCBC Bank

## Asian Markets

- USD-Asia – More positivity from Chinese data.** Supportive Chinese data on Friday feeds a growing optimism that the domestic economy may have turned the corner, fueling overall risk sentiments in Asia. Couple this with a softer USD profile and positive EM equity performance from Friday should see USD-Asia start on a softer footing on Monday. Attention should now shift to Chinese industrial production and 1Q GDP data mid-week. Meanwhile, expect some measure of caution to set in for Indonesia ahead of the 17<sup>th</sup> April Presidential and legislative elections on Wednesday.
- Asia flow environment – IDR, PHP may be supported on structural perspective.** Latest releases from EPFR continue to show that implied bond inflows into Asia (ex. JP, CN) were offset by equity outflows. Note that this runs contrary to actual portfolio flows recently, where equity inflows have been powering ahead at the expense of bonds. On a structural perspective (rolling 12-week), we note that EPFR implied flows portend a stronger IDR, PHP, against the KRW and TWD.
- USD-SGD – Back to normalcy.** The USD-SGD essentially stayed within familiar territory post-MAS, reverting back to a broadly USD-led posture. The SGD NEER stands at +1.78% above its perceived parity (1.3768), with NEER-implied USD-SGD thresholds all easing lower. At this juncture, we look for the USD-SGD to remain range bound with the 55-day MA (1.3538) a near term locus. For longer-term impacts of the MAS decision, please see: [FX Viewpoint: MAS MPS – Potential implications of an unchanged slope.](#)

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1300	1.1301	1.1306	1.1385	1.1400
GBP-USD	1.2982	1.3000	1.3089	1.3094	1.3100
AUD-USD	0.7100	0.7109	0.7171	0.7174	0.7192
NZD-USD	0.6714	0.6733	0.6774	0.6800	0.6813
USD-CAD	1.3300	1.3308	1.3330	1.3400	1.3436
USD-JPY	111.01	111.52	111.98	112.00	112.14
USD-SGD	1.3484	1.3500	1.3530	1.3542	1.3580
EUR-SGD	1.5171	1.5200	1.5296	1.5300	1.5304
JPY-SGD	1.2057	1.2069	1.2082	1.2100	1.2199
GBP-SGD	1.7594	1.7700	1.7709	1.7710	1.7730
AUD-SGD	0.9627	0.9700	0.9702	0.9707	0.9728
Gold	1279.24	1279.50	1290.60	1300.00	1305.90
Silver	14.40	14.60	14.90	15.02	15.38
Crude	61.45	63.50	63.55	63.60	64.79

Source: OCBC Bank

### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target	Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>								
1	05-Mar-19	S	AUD-USD	0.7074	0.6870 0.7175	Potentially dovish RBA, macro conditions soggy		
<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	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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