

Wednesday, May 15, 2019

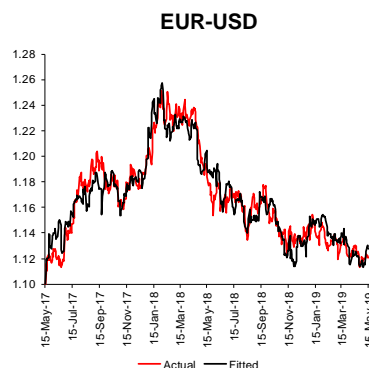
Market Themes/Strategy/Trading Ideas

- Ebbing trade war concerns saw a mixed performance for G10 FX against the USD but the JPY and CHF retreated against their counterparts. The EUR was weighed by Italian fiscal concerns while the GBP was also softer on sustained Brexit-related concerns. Note however that the NZD and USD remained laden against the USD despite the “recovery” in risk appetite levels. Meanwhile, the Fed’s Esther George (voter, hawk) weighed in on the rate cut debate, expressing little undue concern about undershooting inflation.
- Elsewhere, EZ/US equities bounced higher while EM stocks also stabilized, enabling the **FXSI (FX Sentiment Index)** inched lower within Risk-Neutral territory but we note background US-Iran tensions continue to simmer.
- **Err on the side of caution.** Going ahead, markets may continue to monitor the endless headlines pertaining to Sino-US trade relations (Mnuchin possibly to visit China for further talks, Trump to meet President Xi during the G20 in June) while the China April data dump is due at 0200 GMT. Apart from the global datastream, the Fed’s Quarles (1330 GMT) and Barkin (1600 GMT), and the ECB’s Coeure (1415 GMT) and Praet (16300 GMT) are due.
- **Tactical short AUD-JPY.** With the temperature of Sino-US trade tensions having ratcheted higher several notches in as many days and with contagion spreading, there may be room yet for further AUD-JPY downside. From a spot ref of 76.12 on Tuesday, we initiate a tactical short AUD-JPY targeting 73.90 and leave a stop at 77.25.

Treasury Research &
Strategy

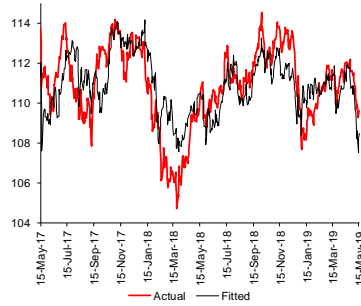
Emmanuel Ng
+65 6530 4037
nqcyemmanuel@ocbc.com

Terence Wu
+65 6530 4367
TerenceWu@ocbc.com



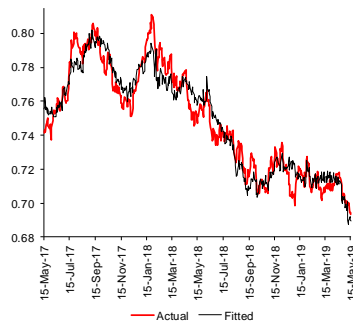
Stalling. Potential overhang from Italy, Greece, and possible US-EU trade tensions, may cap the EUR-USD ahead of the EU finance ministers meeting tomorrow. EUR-USD may now gravitate toward the lower bounds of 1.1150-1.1250 with short term implied valuations also topping out for now.

USD-JPY



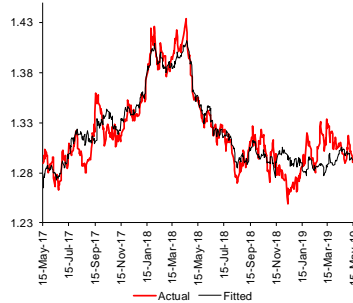
Stabilizing for now. Any resurgence of risk aversion or more dovish rhetoric from the Fed in the near term may continue to threaten the USD-JPY. Despite some stabilization in short term implied valuations for the pair, risk towards 109.00 may remain on the cards for now.

AUD-USD



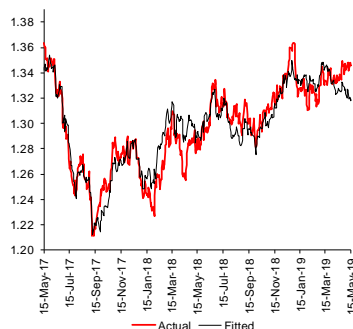
Down under. We stay negative on the AUD-USD in the current environment with our suite of models also concurring. Ahead of the April labor market numbers on Thursday, fade upticks within 0.6900-0.7000.

GBP-USD



Heavier. Sustained uncertainty regarding cross-party talks pulled the GBP-USD lower on Tuesday. Short term implied valuations meanwhile remain tilted lower and may guide the GBP-USD towards the congestion zone around 1.2850 with the 200-day MA (1.2958) seen limiting.

USD-CAD

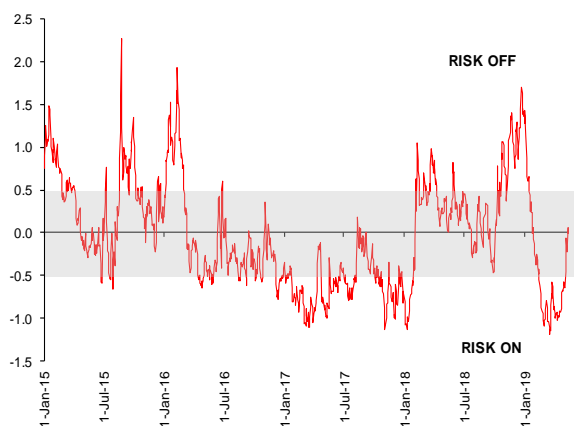


Conflicted. Our near term assessment is relatively unchanged and range-bound behavior may persist with the CAD constrained by conflicting signals. Look to a 1.3450 anchor within 1.3400-1.3500 for now.

Asian Markets

- USD-Asia: Short-lived respite?** USD-CNH held a steadier tone overnight but still settled above 6.9000. A mixed to firmer start for Asian equities may also steady some nerves. Nevertheless, with the trade dispute still lurking, we expect the Asian complex to remain inherently more vulnerable to risk aversion and de facto USD resilience. Asian long-end govie yields may continue to shadow core major curves lower with the expected and invariable hit to global growth prospects inevitable if the current Sino-US story arc delves deeper into conflict.
- Asia flow environment – South Korea the exception.** South Korea remains the sole bright spot on the flow front, with bond inflows more than offsetting equity outflows. Elsewhere, we note ongoing deterioration across the South Asian economies, with inflow momentum moderating further in Indonesia and India. On aggregate, risk-off sentiments continues to sap interest in the equity space, with equity flows collapsing quickly. Some consolidation in aggregate bond flows though, with overall momentum starting to edge higher from a low base.
- USD-SGD: Staying steady for now.** The SGD NEER firmed back to +1.44% above the perceived parity (1.3890) this morning, as the NEER-implied USD-SGD thresholds continued to rise higher. **Expect the pivot for the USD-SGD to be at 1.3700 for now, with any dips remaining shallow and with the 200-week MA (1.3731) now looking enticing.**

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1139	1.1200	1.1205	1.1246	1.1263
GBP-USD	1.2866	1.2900	1.2909	1.2958	1.3000
AUD-USD	0.6901	0.6923	0.6929	0.7000	0.7075
NZD-USD	0.6527	0.6545	0.6567	0.6600	0.6705
USD-CAD	1.3393	1.3400	1.3465	1.3500	1.3521
USD-JPY	109.02	109.11	109.60	110.00	111.14
USD-SGD	1.3600	1.3652	1.3689	1.3700	1.3701
EUR-SGD	1.5263	1.5300	1.5338	1.5360	1.5400
JPY-SGD	1.2251	1.2400	1.2490	1.2500	1.2544
GBP-SGD	1.7547	1.7600	1.7672	1.7690	1.7700
AUD-SGD	0.9452	0.9480	0.9486	0.9500	0.9602
Gold	1266.00	1291.45	1297.80	1299.90	1300.00
Silver	14.60	14.70	14.75	14.80	14.93
Crude	61.49	61.50	61.51	61.60	66.33

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
1	14-May-19	S	AUD-JPY	76.12 73.90 77.20	Escalating Sino-US trade tensions			
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	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61
2	24-Apr-19	03-May-19	S	GBP-USD	1.2933	1.3155	Sustained Brexit uncertainty and pressure to oust PM May	-1.64

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).
