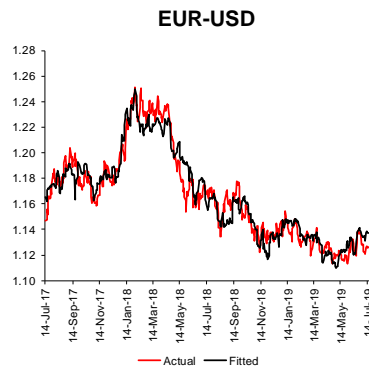


Tuesday, July 16, 2019

Market Themes/Strategy/Trading Ideas

- Amidst softer UST yields (weaker than expected Jun existing home sales), the dollar diverged on Monday with the antipodeans firming slightly while the GBP continued to weaken, with the rest of the pack in a range. Meanwhile, the **FXSI (FX Sentiment Index)** ticked higher for the 2nd consecutive session but continued to loiter in Risk-Neutral territory. Notably, the better than expected China June data dump (including 2Q GDP readings) on Monday managed to provide a positive balm for investor sentiment, especially for the likes of the AUD and Asian FX.
- **For today, with structural aggregated rate differentials leaning against the USD, expect generalized vulnerability to persist ahead of RBA meeting minutes (0130 GMT) and a slew of central bank appearances.** These include the ECB's Villeroy (0700 GMT) and BOE's Carney (1200 GMT). Fed members are out in force today, with Bostic and Bowman (1215 GMT), Kaplan (1620 GMT), Powell (1700 GMT) and Evans (1930 GMT). The US data stream meanwhile includes June retail sales (1230 GMT) and industrial production (1315 GMT). **On a relative basis, stay heavy on the GBP-AUD.**



Bottomed but tentative. Ahead of the ECB appearances and the German June ZEW (0900 GMT), the EUR-USD may continue to remain reluctant on the upside, given also the dovish overtones from the German Economy Ministry on Monday. While short term implied valuations remain relatively supported, significant upside may not be that forthcoming and a temporary locus at the 100-day MA (1.1253) may persist, with risk towards the 55-day MA (1.1240).

Treasury Research &
Strategy

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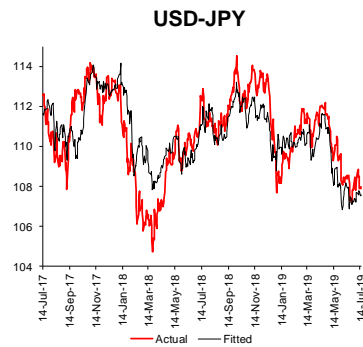
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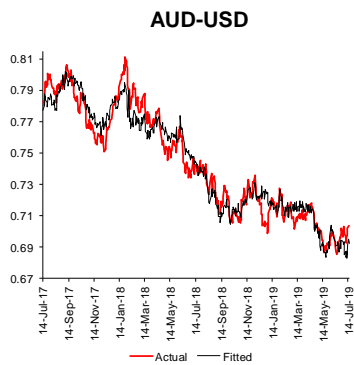
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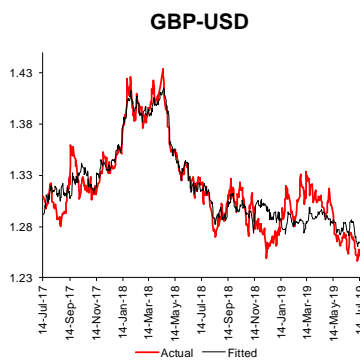
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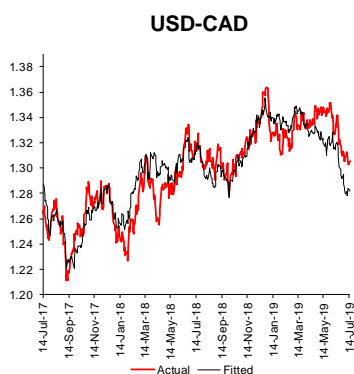
Fade upside. Yield differential arguments may continue to keep the USD-JPY top heavy and a sustained breach below 108.00 opens up to 107.40/50. Short term implied valuations for the pair meanwhile are also stalling.



Buy dips for now. Pending further cues from the RBA meeting minutes today, markets may continue to remain constructive on the upside for AUD-USD. With short term implied valuations looking supported, look for initial resistance at 0.7050/70 with good supported expected at 0.7000.



Laggard. The Boris/Hunt proposition in the UK may keep GBP-USD in the lower reaches of a 1.2450-1.2600 range ahead of the May/June labor market data due today. Since detaching lower late June, note that short term implied valuations for the pair have demonstrated little inclination to rebound and remain southerly.

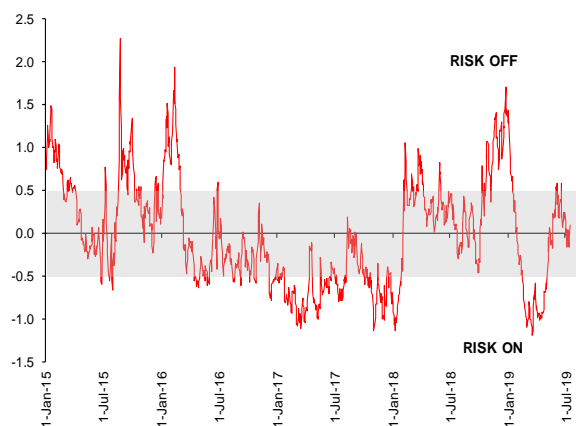


Heavy range. Softer crude lifted USD-CAD slightly on Monday and expect some measure of consolidation around the 1.3000 neighborhood in the interim while maintaining a top heavy posture. Short term implied valuations for the pair have troughed somewhat but expect good resistance at 1.3100.

Asian Markets

- USD-Asia:** After a supported start, the USD-CNH settled lower on Monday, setting a heavier tone for the region, especially the northern pairs. Note that the Chinese data prints were firmer than expected on Monday, with industrial production and retail sales outperforming, and headline GDP numbers in line with expectations. With key data events over, **and short-end CNH implied vols have eased to levels near the realizeds, we expect the USD-CNH to stay within the 6.8500-6.9000 range for now, with little catalyst to tip it over either side.**
- Softer regional yields.** With certain sharp exceptions (India, China, Indonesia), Asian bond yields in the past week displayed a sympathetic but less than enthusiastic response to the capitulation higher in core G7 govie yields. **Given overnight cues from core markets, expect Asian govie yields to potentially seek lower again.**
- Hunting for rate cuts.** On the **net portfolio front**, extremely strong net bond inflows in **South Korea** have undergone a healthy moderation while minor net positive inflows have improved further. For **Taiwan**, rolling net equity inflows have also subsided slightly. In **India**, net bond inflows have also moderated lower (but benign inflation and rate cute expectations continue to weigh on yields) while net equity flows remain in a slight outflow situation. **Indonesia** meanwhile is still sitting on very strong net bond inflows (govie yields, especially in the front end, continued to drive lower) while net equity inflows have also been improving. Sentiment may continue to be underpinned by the promise of further reforms from the President on Friday, with USD-IDR slipping below 14,000 on Monday. In **Thailand**, previously strong net bond inflows have now corrected significantly (note investor caution as the Bank of Thailand grows increasingly uncomfortable with undue baht strength) while net equity inflows are holding relatively steady.
- USD-SGD:** The SGD NEER firmed to +1.47% above its perceived parity (1.3760) on Tuesday, with NEER-implied USD-SGD thresholds easing slightly on the day. With the USD still implicitly heavy and no positive traction from the local front, we think the USD-SGD should continue to ease lower in the interim. Expect 1.3527 (100-week MA) to attract in the near term, before a firmer support at 1.3500.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1245	1.1259	1.1300	1.1322
GBP-USD	1.2440	1.2500	1.2514	1.2600	1.2679
AUD-USD	0.6951	0.7000	0.7034	0.7048	0.7063
NZD-USD	0.6700	0.6717	0.6731	0.6737	0.6757
USD-CAD	1.3000	1.3018	1.3054	1.3100	1.3242
USD-JPY	107.00	107.03	107.96	108.00	108.69
USD-SGD	1.3503	1.3516	1.3563	1.3600	1.3619
EUR-SGD	1.5206	1.5238	1.5271	1.5300	1.5350
JPY-SGD	1.2500	1.2560	1.2563	1.2600	1.2651
GBP-SGD	1.6900	1.6933	1.6972	1.7000	1.7303
AUD-SGD	0.9488	0.9500	0.9540	0.9560	0.9570
Gold	1360.73	1400.00	1414.90	1441.00	1441.81
Silver	14.98	15.20	15.29	15.30	15.48
Crude	58.20	59.40	59.47	59.50	60.94

Source: OCBC Bank

Trade Ideas

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