

Thursday, May 16, 2019

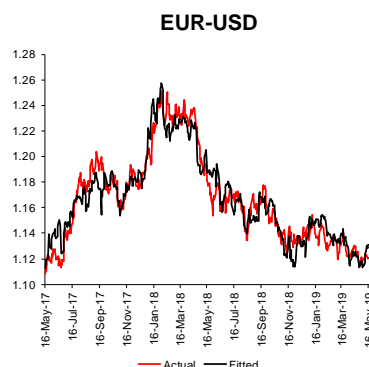
Market Themes/Strategy/Trading Ideas

- The dollar ended mixed across G10 currencies with the EUR-USD flat (possible delay for EU auto tariffs), the antipodeans still heavy across the board but with the CAD and NOK underpinned by firmer crude. Sino-US trade tensions saw some containment with US Treasury Secretary Mnuchin reiterating that he would likely travel to China for further trade talks. Background global growth concerns however continued to simmer given the underwhelming April data stream out of China on Wednesday. GBP-USD was the mover of the day with cross-party talks still a sweltering mess. UST (and other core global) yields sought lower ground on Wednesday with US April retail sales and industrial production numbers disappointing expectations.
- **Fragility may persist.** Positive global equities (note a more restrained demeanor for EM equities) failed to impact our **FXSI (FX Sentiment Index)** materially with the Index holding steady in Risk-Neutral territory. Potential flashpoints may yet persist, ranging from Sino-US tensions (note Trump-Huawei headlines) to ongoing developments in the Middle-East. For today, look to Aussie April labor market numbers (0130 GMT) and the RBA's Bullock is scheduled at 0245 GMT. Meanwhile, **central bank rhetoric** may figure more prominently today, with the Fed's Quarles, Kashkari, and Brainard, and the ECB's Praet, de Guindos, and Coeure, with the Bundesbank's Weidmann also due.
- **Softer growth prospects.** Structurally, apart from Sino-US headlines and Middle-East wild cards, expect markets to continue to bounce between prospects for Fed rate cuts and the state of the (weak) global economic landscape. Overall, this may result in markets attempting to consolidate cautiously in the near term after the recent volatility.

Treasury Research &
Strategy

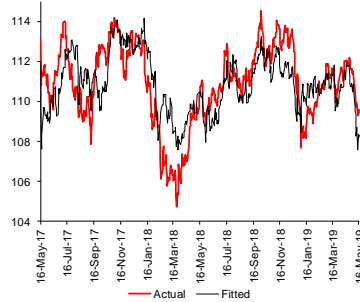
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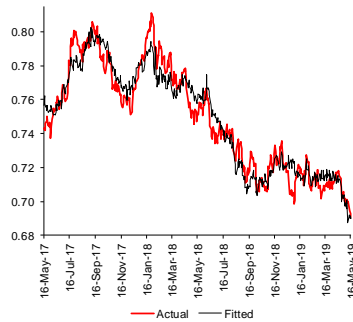
Holding pattern. Potential negatives for the EUR-USD (US auto tariffs, EU elections, Italian fiscal concerns) may continue to stack up and this may see the pair ignoring the slightly supported short term implied valuations. Ahead of the bevy of ECB appearances today, look for 1.1200 to anchor.

USD-JPY



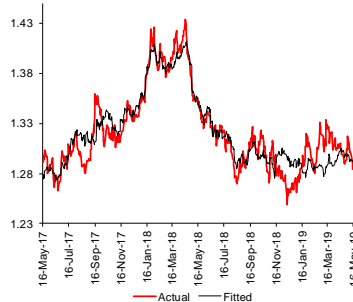
Stabilizing for now. Diminishing US yield support and potential for another bout of risk aversion may continue to see the USD-JPY reluctant to probe higher significantly. The floor at 109.00 remains tenuous but the pair may attempt to base build in line with its short term implied valuations in the interim.

AUD-USD



Drill lower. The negativity from the flat to softer than expected Aussie 1Q wage price indices on Wednesday will be compounded by the disappointing April labor market prints this morning. With short term implied valuations succumbing to gravity, 0.6900 may look increasingly porous.

GBP-USD



Slippery. Market patience with the GBP may be wearing thin and laden short term implied valuations may continue to guide the pair lower in the coming sessions. Expect the first pit stop at 1.2800 before 1.2730. On the top side, the 200-day MA (1.2958) now functions as a resistance.

USD-CAD

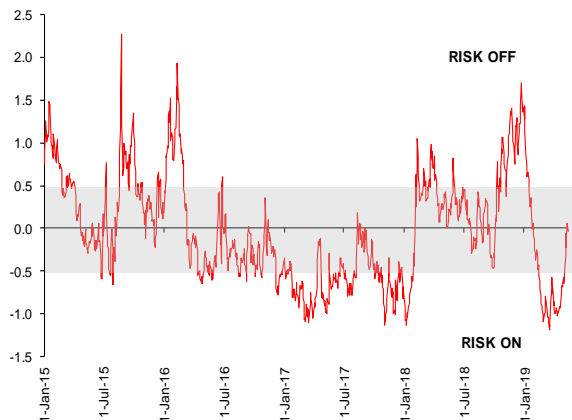


Heavy range. Yet heavier short term implied valuations (supported crude, benign US metal tariff headlines) may see the USD-CAD contemplate its 55-day MA (1.3390) but still governed by a 1.3400-1.3500 range.

Asian Markets

- USD-Asia: Taking a slight breather.** USD-CNH held a steadier tone on Wednesday and amid calmer sentiment overnight, Asian FX may receive a breather from the USD pending the next hit from any potential negative headlines. On the macro front, weak April export numbers out of Indonesia and India yesterday (as well as China) may do little to instill any economic positivity for the region in the current environment. For today, **Bank Indonesia** is expected to remain static on its benchmark parameters at its policy meeting today while Malaysia releases 1Q 19 GDP numbers (0400 GMT).
- Asia flow environment: Looking for opportunities to stabilize.** The recent deterioration in Asian net portfolio flows (which ostensibly provided a tailwind for the USD) may stabilize slightly if calmer heads continue to prevail into the end of the week. In the South Korea, strong net bond inflows have continued to outstrip the deteriorating net equity flow situation (latter in outflow territory). Net equity inflows for Taiwan meanwhile have collapsed to a neutral balance. In India, net bond outflows are attempting to stabilize but net equity inflows have continued to deteriorate. For Indonesia, net bond outflows have also sink deeper while Thailand, the negative equity balance has been deepening with net bond flows still in a deficit.
- USD-SGD: Consolidation for now.** The SGD NEER firmed slightly to +1.48% above the perceived parity (1.3891) this morning, with the NEER-implied USD-SGD thresholds essentially static. With the RMB steady for now, we expect some consolidation in the USD-SGD just south of 1.3700. Nevertheless, the threat of further upside should not be ruled out just yet, with the 200-week MA (1.3731) perhaps attracting if there is further deterioration of trade tensions.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1139	1.1200	1.1207	1.1246	1.1260
GBP-USD	1.2815	1.2827	1.2845	1.2900	1.2958
AUD-USD	0.6893	0.6900	0.6911	0.7000	0.7073
NZD-USD	0.6527	0.6537	0.6553	0.6600	0.6700
USD-CAD	1.3392	1.3400	1.3444	1.3500	1.3519
USD-JPY	109.00	109.02	109.39	110.00	111.10
USD-SGD	1.3600	1.3652	1.3690	1.3700	1.3707
EUR-SGD	1.5265	1.5300	1.5343	1.5369	1.5400
JPY-SGD	1.2252	1.2500	1.2515	1.2563	1.2572
GBP-SGD	1.7500	1.7547	1.7585	1.7600	1.7690
AUD-SGD	0.9442	0.9444	0.9460	0.9500	0.9600
Gold	1266.00	1291.65	1297.50	1300.00	1301.70
Silver	14.58	14.70	14.76	14.80	14.92
Crude	61.63	62.30	62.32	62.40	66.25

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

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