

Friday, May 17, 2019

Market Themes/Strategy/Trading Ideas

- The dollar was on the ascendant overnight, marking strong gains across the board, ostensibly due to strong initial jobless claims and Philly Fed prints. The cyclicals, led by the AUD, were the main underperformers. RBA rate cut chatter was essentially reinvigorated after the surprise unemployment print down under. Elsewhere, the GBP remains under the spotlight, with the risk of a no-deal Brexit continues to be priced in.
- **Staying on course for now.** At this juncture, we continue to stay negative on the cyclicals on a still-uncertain trade picture, while the European complex continues to be mired by political issues in Italy and the UK. Expect the USD-JPY to stay underpinned if risk appetite continues to consolidate. On balance, however, we think data-driven outright USD strength may not be sustainable, as economic prints for the US, on the whole, do not appear overly impressive.
- **We also prefer to stay guarded** on the risk front. Although positive EU/US equities eased outright negativity, we note that EM equities failed to join the party, keeping us skeptical of the sustainability of the recent improvement in risk. Our **FXSI (FX Sentiment Index)** dipped towards the Risk-On zone, while staying within Risk-Neutral.
- Upcoming calendar appears relatively light – watch for Eurozone CPI and US UMich sentiment survey later today. Watch also for Fed's Williams and Clarida. Latest Fed rhetoric from Brainard and Kashkari continues to point to a pause in rate movements.

Treasury Research &
Strategy

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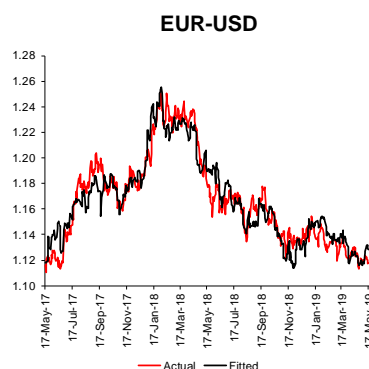
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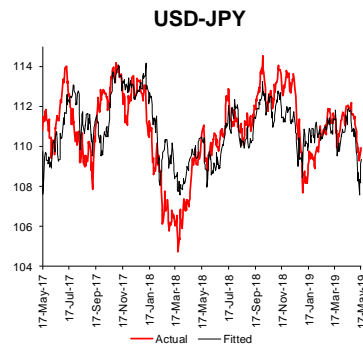
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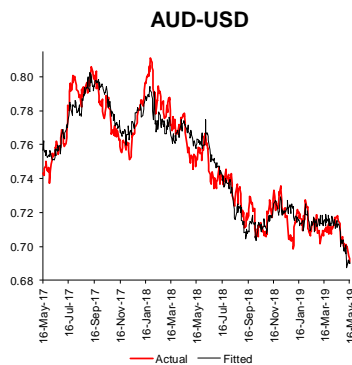
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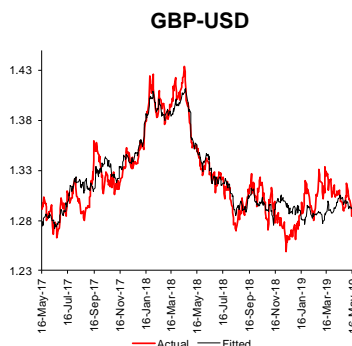
Slipping again. Any positives from the delay of US auto tariffs proved short-lived, as the pair reverted to its recent downtrend. Short term implied valuations also turned softer. If this pair persists south of 1.1200, expect 1.1130 to come into view.



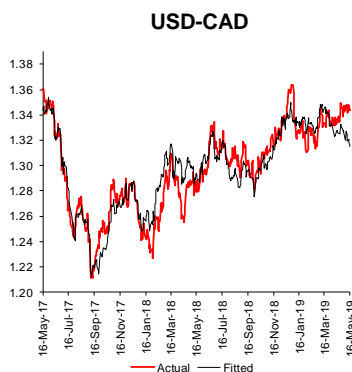
Underpinned. Ongoing consolidation in risk appetite (and slightly firmer UST yields) provided some tailwind for this pair. Short term implied valuations also tipped higher. The rapid bounce away from the 109.00 floor may set up a challenge of 110.30, before the 100-day MA (110.50).



Soft sand underneath. A surprisingly weak labour market prints yesterday inevitably led to further chatter on an RBA rate cut by the NY session. Meanwhile, short term implied valuations continued to tip lower. We think this pair may still be on slippery ground.



Slippery. Brexit concerns continue to weigh, as the odds of a no-deal increase with each day. Watch for political uncertainties ahead, with PM May facing increasing pressures to step down. With 1.2800 taken out, look for 1.2730 next. Expect the 200-day MA (1.2958) to cap bounces for now.

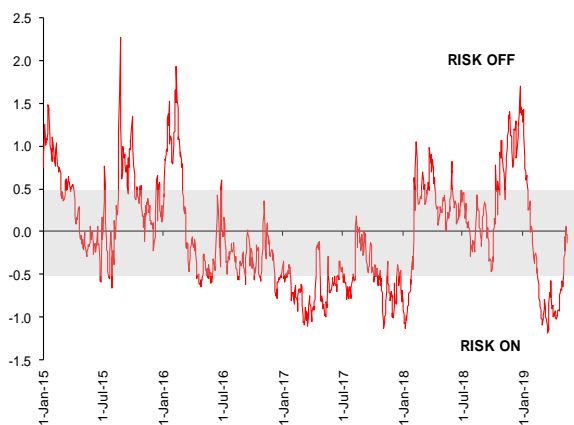


Range to persist. The 1.3400-1.3500 range should continue to bookend movements on this pair for now. Short term implied valuations continue to portend a lower plane for this pair, but the response has been effectively non-existent.

Asian Markets

- USD-Asia: USD strength likely to dominate.** USD-CNH was pulled above 6.9200 on the back of the firmer dollar. The CFETS Index is sub-94.00, although with downside room may still be available before the recent floor around 92.00. Without the RMB and portfolio inflows serving as anchors, the rest of the Asian complex may well struggle to resist the USD intraday.
- On the macro front, the soft economic prints in Asia and uncertain global outlook may compel Asian central banks to be more willing to embrace monetary easing. The **BSP** leads the way on this front, following up their rate cut last week with an RRR cut yesterday. More importantly, while the **Bank Indonesia (BI)** held the policy rate unchanged and retained a neutral posture overall, the statement rhetoric and comments left monetary accommodation on the cards. Overall, we continue to expect the **IDR** to undergo inherent downside pressure alongside its Asian counterparts.
- USD-SGD: Renewed push higher after pause.** The SGD NEER recovered sharply this morning to +1.38% above the perceived parity (1.3915) this morning, after slumping to a low of +1.30% overnight. The NEER-implied USD-SGD thresholds also dislocated higher on the back of the firmer USD. Expect the USD-SGD to challenge on the 200-week MA (1.3731) intraday, while any dips may be limited by 1.3700. April NODX slumped 10.0% yoy, underperforming expectations by a good margin.

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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