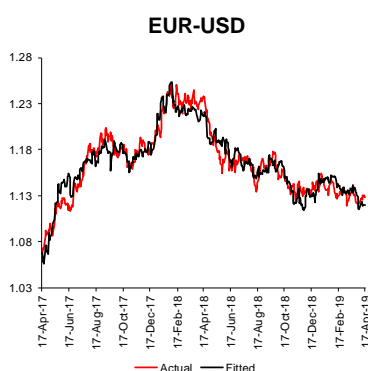


Thursday, April 18, 2019

Market Themes/Strategy/Trading Ideas

- The broad USD recovered losses incurred in the Asian session during the London and New York hours, with the DXY index closing north of the 97.00 mark. Notably, despite the broad risk-on sentiment generated by the strong Chinese data, the major pairs still did not manage to sustainably breach key resistance levels. Mixed EZ/US equities also point to a lack of follow through in risk-on sentiments. While the **FXSI (FX Sentiment Index)** remains firmly within Risk-On territory, it actually clipped higher in the latest reading.
- **Consolidation within range.** While the Chinese data provided both a sugar high and more traction to the green shoots theme, the lack of durability of the positive risk sentiments and follow through in the major pairs was sobering. In this context, markets may revert to a consolidation phase ahead of another round of key data releases. Expect the USD to stay marginally supported against the cyclicals and EUR in the interim.
- **Green shoots to green roots?** Preliminary US and European PMIs are scheduled later today. Apart from China itself, Europe is the other participant in the green shoots theme recently, with the rest of Asia and US actually not seeing significant improvement in data. Thus, we watch in particular for European prints to gauge the longevity of the green shoots theme and the risk positive environment.



Stay top heavy. Early gains in Asian session gave way to a more cautious posture after German government slashed growth forecasts. Short term implied valuations for the pair turned slightly heavy, while technicals reveal that recent topside momentum may have run its course. Expect the 55-day MA (1.1306) to cap any bounce, with downside cushioned at around 1.1263, ahead of preliminary PMI prints later today.

Treasury Research &
Strategy

Emmanuel Ng

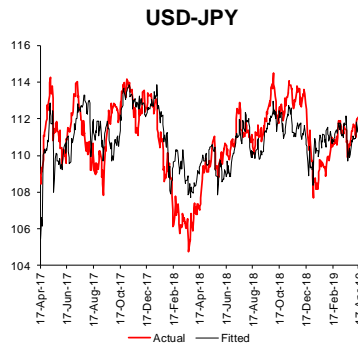
+65 6530 4037

ngcyemmanuel@ocbc.com

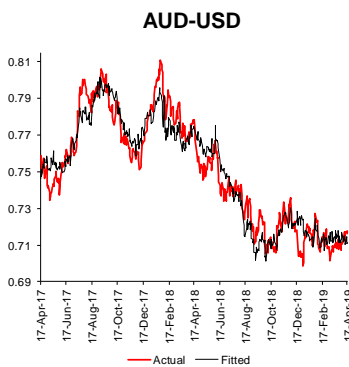
Terence Wu

+65 6530 4367

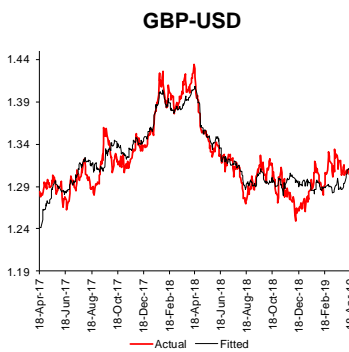
TerenceWu@ocbc.com



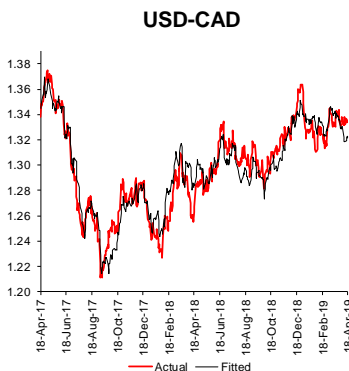
Upside move still road-blocked. We retain a positive view on the USD-JPY on a multi-session horizon, with both short-term implied valuations and rate differential arguments still supportive. Nevertheless, the near-term cap at 112.20 remains firm, and will need to be breached to open up the path to 112.48.



Trapped under the 200-day MA. AUD-USD bulls may be disappointed that the pair failed to close above the 200-day MA (0.7190) even with the sugar rush from Chinese data. Expect the pair to remain ranged, with downside supported at the 100-day MA (0.7136).



Looking for further decay. Note that the GBP is no longer over-bought in implied valuation terms, but we think the headlines and price action continue to stack against any GBP-USD upside. Balance of risks favours more downside towards the the 200-day MA (1.2968), rather than a lift towards 1.3100.



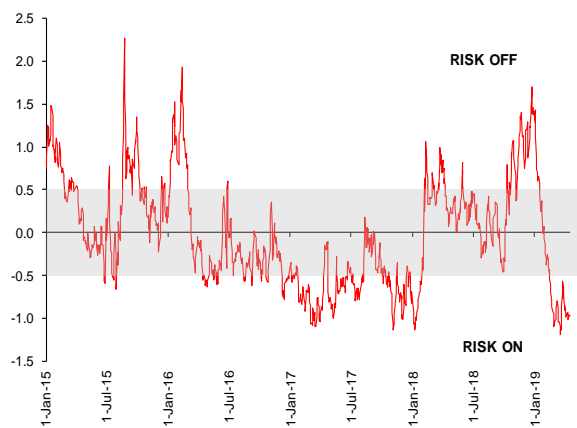
Still rangy. Short term implied valuations ticked higher, but we expect the range between 1.3300 and 1.3400 may continue to hold, despite a firmer core CPI print yesterday.

Source: OCBC Bank

Asian Markets

- USD-Asia – RMB giving back gains, negative impact on other Asian FX.** USD-CNH held on to its decline overnight (closing sub-6.6800), but is rapidly retracing higher early today to levels above 6.6900. Stray reports on a possible Sino-US trade deal by early May provided little traction. In this context, we expect the other Asian currencies to ease in tandem. The IDR may be the exception, with gains expected on the back of the Presidential elections resulting in political continuity. We will be eyeing the 14000 handle as an immediate support.
- Asia flow environment – Continuation of recent trends.** We continue to see recent trends playing out in the Asian portfolio flow space, with inflow moderation easing in Korea and India. Taiwan continues to see ongoing improvement in terms of equity inflows. Meanwhile, with the election risk event concluded without many surprises, we expect Indonesia to remain attractive to foreign bond investors.
- USD-SGD – Narrow range still holds.** The SGD NEER turned softer this morning to +1.84% above its perceived parity (1.3783) this morning, after hitting a high of +1.90% yesterday. NEER-implied USD-SGD thresholds turned softer on the day. We think the USD-SGD may revert to a narrow range-trading mode, with the 55-day MA (1.3540) back as the locus.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1200	1.1250	1.1296	1.1300	1.1329
GBP-USD	1.2977	1.3000	1.3040	1.3080	1.3100
AUD-USD	0.7100	0.7111	0.7178	0.7190	0.7198
NZD-USD	0.6670	0.6700	0.6719	0.6733	0.6800
USD-CAD	1.3300	1.3316	1.3352	1.3400	1.3435
USD-JPY	111.14	111.52	111.93	112.00	112.17
USD-SGD	1.3500	1.3508	1.3533	1.3541	1.3570
EUR-SGD	1.5172	1.5200	1.5287	1.5297	1.5300
JPY-SGD	1.2029	1.2067	1.2091	1.2100	1.2184
GBP-SGD	1.7584	1.7600	1.7647	1.7700	1.7704
AUD-SGD	0.9629	0.9700	0.9713	0.9737	0.9750
Gold	1250.06	1266.27	1270.80	1270.80	1300.00
Silver	14.80	14.90	14.91	15.00	15.00
Crude	61.30	63.60	63.66	63.70	64.79

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale		
TACTICAL							
1	15-Apr-19	B	AUD-USD	0.7167 0.7380 0.7055	Near term recovery in global macro sentiment		
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	23-Jan-19 21-Mar-19	B	GBP-AUD	1.8159	1.8440	Contrasting risk profiles in the near term	+1.35
2	14-Feb-19 25-Mar-19	B	USD-JPY	111.00	109.98	Dollar resilience, revival in risk appetite levels	-0.61
3	01-Apr-19 02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
4	02-Apr-19 05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
5	05-Mar-19 11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13

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).
