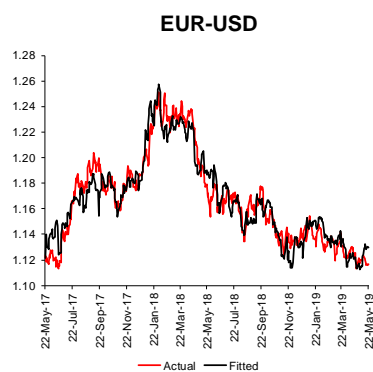


Wednesday, May 22, 2019

### Market Themes/Strategy/Trading Ideas

- With risk appetite recovering (US curbs on Huawei lifted temporarily), the dollar was a story of two halves as the AUD (and NZD) slipped in the wake of a dovish RBA and the GBP was weighed by negative Brexit static, while firmer US yields lifted the USD-JPY. Meanwhile, still supported crude lifted the NOK and the CAD higher. Positive EM/EZ/US equities saw the **FXSI (FX Sentiment Index)** shading lower (for the 2<sup>nd</sup> consecutive session) within Risk-Neutral territory.
- While asset markets may continue to vacillate according to **Sino-US** headline risks, we will also continue to watch the cue cards from central banks. The Fed's Rosengren and Bullard were essentially neutral on Monday while the latter noted that December's rate hike was perhaps "overdone". **FOMC meeting minutes** (1800 GMT) and comments from the **ECB's Draghi** today (0730 GMT) may provide more fuel for volatility.
- **Staying selective.** In the interim, despite some stabilization in risk appetite levels, investors may remain selective and appeal to idiosyncratic factors with respect to different currencies. To this end, stay with a heavy AUD-USD and GBP-USD profile and a supported tone for the USD-JPY.



**Fade upticks.** EUR-USD may continue to drip (not in a good way) lower in the current dollar environment. This would be in spite of supported short term implied valuations. 1.1130 may continue to beckon with 1.1200 seen capping, especially if market receives any dovish cues from the ECB these few sessions.

Treasury Research &  
Strategy

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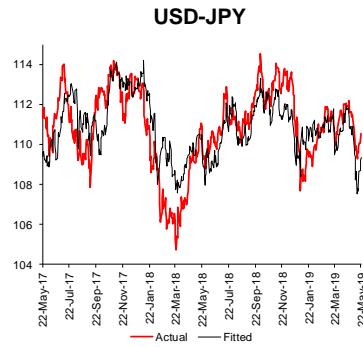
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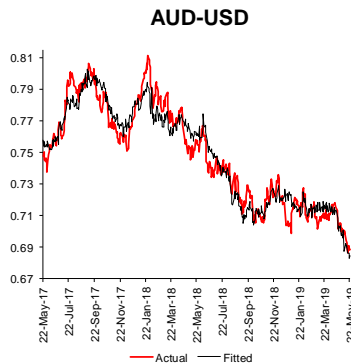
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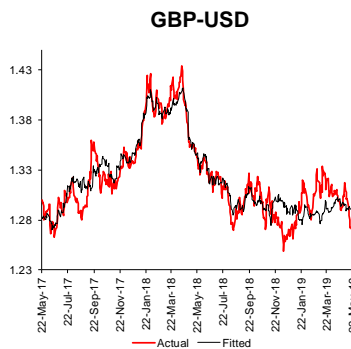
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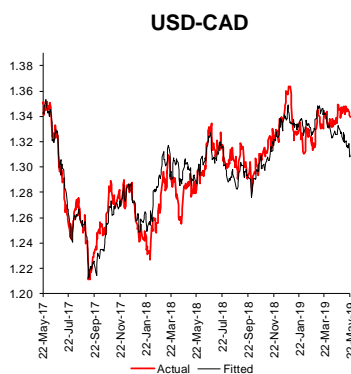
**Underpinned for now.** Positive US equities and supportive US rates may continue to keep USD-JPY underpinned in the near term. As such, the pair may attempt to float above its 100-day MA (110.53) towards the 55-day MA (111.05), risk appetite permitting.



**Dovish, really.** Dovish comments from the RBA's Lowe (entertaining prospects for a rate cut) further undermined the AUD on Tuesday. Short term implied valuations for the pair continue to decay and with the pair now circulating at sub-0.6900 levels, the next support is not expected till 0.6855.



**Slippery.** A new Brexit plan from PM May failed to generate sufficient positivity. Ahead of the EU Parliamentary elections on Thursday. Political malaise will be expected to continue to weigh on cable at this juncture despite static short term implied valuations. Already on the cusp of 1.2700, expect gravity to drag the pair towards 1.2660.

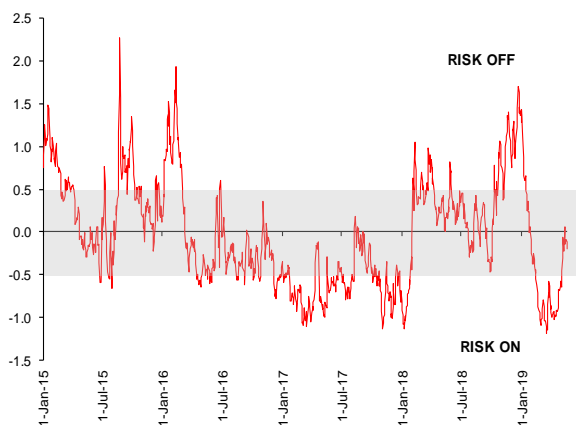


**Topping out?** Deflating trade tensions on the Canadian front may continue to imbue positive sentiment to the loonie with short term implied valuations for USD-CAD also stepping lower. If the key 1.3400 neighborhood is breached convincingly expect heightened prospects for 1.3350 in a hurry.

### Asian Markets

- USD-Asia: Some stability in the RMB complex?** USD-CNH consolidated lower at sub-6.9400 levels on Tuesday, despite ongoing hostile rhetoric on between the US and China. The USD-CNY morning fix came in at 6.8992 today, staying sub-6.9000 despite the USD-CNY and USD-CNH at loftier levels. Expect the recent run of lower-than-expected morning fix may serve to slow down the ascent in the pairs for now. Meanwhile, expect the Asian currencies to attempt to draw strength from the RMB complex and recovering risk sentiments. Nevertheless, we expect USD resilience to still dominate for now.
- Mixed 1Q 2019 GDP prints from Thailand and Singapore on Tuesday underlined the soft macro undertones in Asia.** Structurally, a silver lining for the region, perhaps, is that the Indonesian (official results released) and Indian (by exit-polls, official result 23 May) elections returned the incumbents to power. Near term, however, expect some volatility for the **USD-IDR** and **USD-INR** as the political outcomes are digested.
- Note of caution.** With global uncertainty not seen subsiding materially in the near term, note that short-end (realized) EM FX vols have picked up in tandem. This we feel will continue to impinge on the vol/carry proposition with respect to EM/Asia FX, forcing investors to be increasingly discerning.
- USD-SGD: Path of least resistance may still be higher.** The SGD NEER stabilized at +1.29% above its perceived parity (1.3949), as NEER-implied USD-SGD remained static on the day. The 1.3780/00 levels are within sight for the USD-SGD, although the pair may retreat if the USD-CNH consolidates lower from current levels. The 200-week MA (1.3732) should cushion any fall in the interim. Elsewhere, note that the MAS reiterated that the current policy stance is appropriate for the cautious macro outlook.

#### FX Sentiment Index



Source: OCBC Bank

#### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1112	1.1136	1.1164	1.1200	1.1238
GBP-USD	1.2685	1.2700	1.2718	1.2800	1.2957
AUD-USD	0.6854	0.6865	0.6883	0.6900	0.7058
NZD-USD	0.6480	0.6500	0.6504	0.6600	0.6693
USD-CAD	1.3391	1.3397	1.3399	1.3400	1.3504
USD-JPY	109.02	110.00	110.60	111.00	111.03
USD-SGD	1.3653	1.3700	1.3774	1.3789	1.3794
EUR-SGD	1.5271	1.5300	1.5378	1.5400	1.5419
JPY-SGD	1.2253	1.2400	1.2454	1.2500	1.2563
GBP-SGD	1.7488	1.7500	1.7518	1.7600	1.7689
AUD-SGD	0.9442	0.9446	0.9481	0.9500	0.9592
Gold	1266.00	1267.68	1273.30	1289.92	1299.36
Silver	14.30	14.33	14.39	14.40	14.90
Crude	62.14	62.60	62.63	62.70	64.54

Source: OCBC Bank

### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
<b>TACTICAL</b>								
1	14-May-19	S	AUD-JPY	76.12      73.90      77.20	Escalating Sino-US trade tensions			
<b>STRUCTURAL</b>								
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			
<b>RECENTLY CLOSED TRADE IDEAS</b>								
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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