

Tuesday, April 23, 2019

### Market Themes/Strategy/Trading Ideas

- With markets mostly vacant amidst Easter Monday holidays, the USD held within tight ranges against most of the majors with only the CAD (and NOK) responding positively to yet firmer crude (US to end wavers on sanctions to purchase crude from Iran). Elsewhere, the AUD-USD eased on chatter that Chinese policy orientation may shift more towards structural reform and less towards outright policy stimulus (note softer copper and Chinese equities). UST yields were a touch firmer despite softer than expected March new home sales readings. Risk appetite levels remained underpinned with the **FXSI (FX Sentiment Index)** inching lower within Risk-On territory.
- Markets may focus on US earnings these few sessions with US March new home sales also due today (1400 GMT). **Higher conviction calls for today include a heavy GBP-USD, USD-CAD, and a firmer USD-SGD.**
- In the interim, short term implied vols for EM in aggregate are outpacing that of their G7 counterparts (relative Z-scores) and investors may continue to favor greater bang for the buck in cyclical/EM space.



**Likely heavy.** With short term implied valuations still suppressed, markets may still fade upticks in the EUR-USD ahead of the German Ifo tomorrow. Expect a heavy posture with a near term floor at 1.1220 and the 55-day MA (1.1295).

Treasury Research &  
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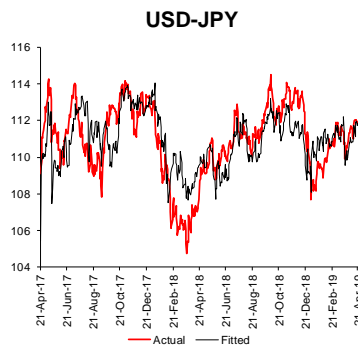
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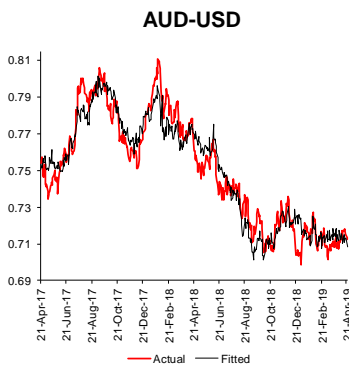
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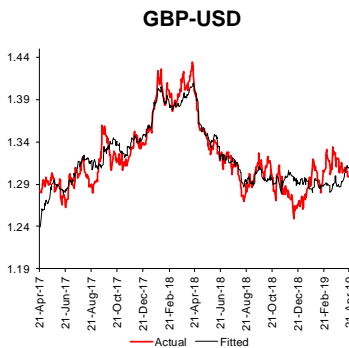
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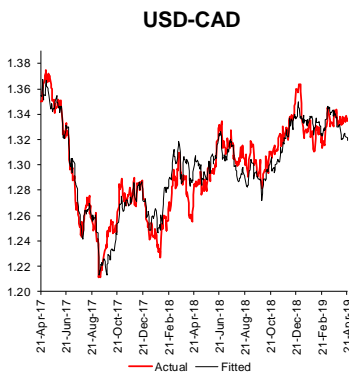
**Search higher.** Ahead of the looming extended Golden Week next week, we remain buyers on dips for the USD-JPY with short term implied valuations still looking largely underpinned. Preference to bounce dips within 111.70-112.20.



**Fading.** Technicals and short term implied valuations are fading somewhat at juncture and any macro optimism (especially out of China) may be put on hold in the very near term. Expect the pair to loll around its 100-day MA (0.7129) with scope to decay further to the 55-day MA (0.7111) intra-day.



**Head south.** Short term implied valuations remain static but a violation of the 200-day MA (1.2964) may remain imminent if domestic political chatter remains unhelpful. Next way point is expected towards 1.2900 upon a breach.



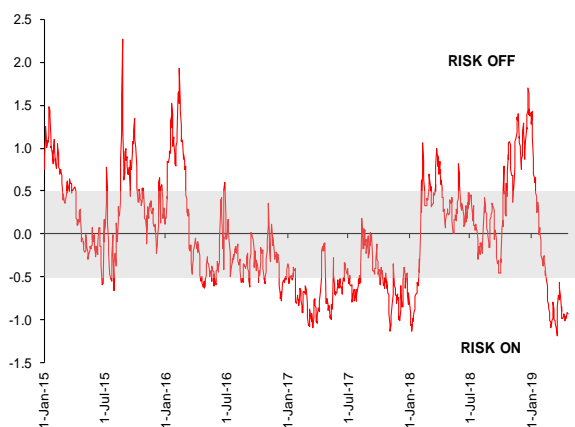
**Crude to weigh.** The pair may remain neutral to softer on account of a firmer crude complex and with technicals and short term implied valuations concurring. Risk to moderate lower towards the 100-day MA (1.3339) and the 55-day MA (1.3318).

Source: OCBC Bank

## Asian Markets

- USD-Asia – USD resilience may continue to prevail in Asia.** The USD-CNH lifted to a firmer plane after expectations of further stimulus measures were crimped. Thus, despite a positive start to Asian equities early Tuesday, we expect USD-Asia to remain buoyant for now. **Notably, the firmer crude complex will also be expected to impinge the likes of the INR and the KRW.**
- On the Asian data feed, Thailand’s March customs trade numbers and Taiwan’s March export orders disappointed on Monday. Singapore’s March CPI readings are on tap today (0500 GMT). We note that the recent stronger Chinese data-prints have yet to filter to the rest of Asia. On the whole, a turn in prospects for Asia (ex. CN) may not be forthcoming just yet, and that may limit USD-Asia downside on a structural basis.
- Asia flow environment – Softer on evaporating bond inflows.** On the aggregate basis, actual portfolio inflows into Asia turned softer on moderating bond inflow momentum (on a rolling 20-day basis). Meanwhile, aggregate equity inflows may also have topped. On a country basis, inflow momentum into Taiwan is accelerating higher, although there has been limited follow through to the TWD front. Elsewhere, note further moderation of inflow momentum in South Korea, India and Indonesia, while outflow momentum deepens in Thailand and Malaysia.
- USD-SGD – Continuing to edge higher.** The SGD NEER is static at around +1.76% above its perceived parity (1.3802) this morning, while NEER-implied USD-SGD thresholds firmed up marginally. We retain the view that the USD-SGD may be biased higher on the back of a higher USD-CNH and the broad dollar in general. The 100-day MA (1.3579) may attract for now, while the downside support enters at the 55-day MA (1.3543).

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1190	1.1200	1.1249	1.1292	1.1300
GBP-USD	1.2964	1.2975	1.2986	1.3000	1.3104
AUD-USD	0.7100	0.7114	0.7129	0.7185	0.7196
NZD-USD	0.6650	0.6668	0.6678	0.6700	0.6731
USD-CAD	1.3300	1.3322	1.3363	1.3400	1.3421
USD-JPY	111.24	111.51	111.75	112.00	112.17
USD-SGD	1.3521	1.3540	1.3560	1.3572	1.3580
EUR-SGD	1.5173	1.5200	1.5253	1.5289	1.5300
JPY-SGD	1.2067	1.2100	1.2134	1.2173	1.2200
GBP-SGD	1.7572	1.7600	1.7608	1.7698	1.7700
AUD-SGD	0.9600	0.9632	0.9667	0.9700	0.9738
Gold	1264.48	1270.10	1273.50	1300.00	1302.15
Silver	14.81	14.90	14.99	14.99	15.00
Crude	64.50	65.00	65.80	65.92	66.68

Source: OCBC Bank

### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale		
<b>TACTICAL</b>							
1	15-Apr-19	B	AUD-USD	0.7167 0.7380 0.7055	Near term recovery in global macro sentiment		
<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	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

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