

Tuesday, July 23, 2019

### Market Themes/Strategy/Trading Ideas

- Despite slightly lower UST yields, the dollar floated incrementally higher on Monday. CAD and NOK underperformed across the board with crude remaining suppressed and retracing from intra-day highs. Elsewhere, note also that companion global core govie curves were also softer, with the belly to back-end outperforming – a telling sign of the state of the global economy. Early Tuesday in Asia, note the **NZD-USD** tripping lower after the **RBNZ** stated that it was refreshing its unconventional monetary policy strategy.
- The eponymous Powell-put has now been pared with markets essentially only expecting a 25bps rate cut next week. We think this would leave risk appetite levels more exposed to negative risk. Meanwhile, the **FXSI (FX Sentiment Index)** slipped back into Risk-Neutral territory from Risk-Off territory on Monday, although we think the environment may remain slightly nervous. Going ahead, expectations for the next round of face to face **Sino-US trade talks** may also bolster risk appetite levels although the **Iranian** situation may well continue to potentially have a short fuse.
- **Focus on crosses.** In the near term, we continue to expect implicit heaviness for the **EUR-CHF** (ahead of the ECB this Thursday). In addition, contrasting macro backdrops also keep us continually heavy on the **GBP-AUD**.



**Heavy range.** Short term implied valuations for the pair are fading and this should see the 55-day MA (1.1242) continuing to cap. Instead, expect markets to work their way towards 1.1160 if dovish expectations surrounding the ECB continue to circulate.

Treasury Research &  
Strategy

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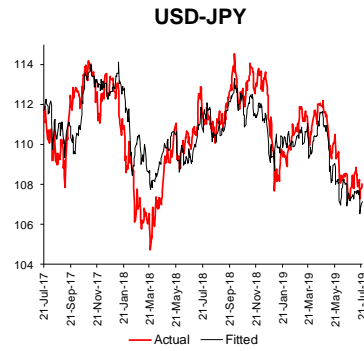
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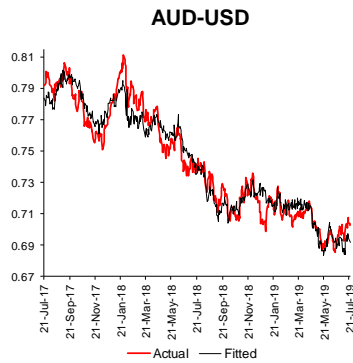
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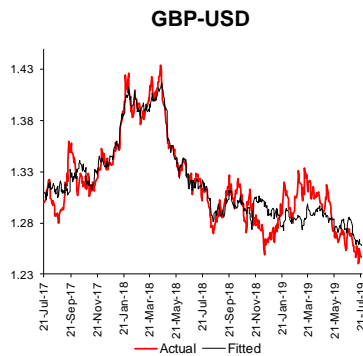
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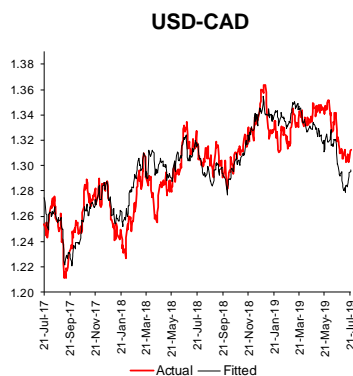
**Trapped.** Despite the BOJ’s Kuroda reaffirming its “powerful monetary easing”, the FOMC narrative is still expected to exert a more significant influence on the pair at this juncture. Nonetheless, short term implied valuations for USD-JPY are still attempting to stabilize, keeping the pair supported within 107.60-108.40 for now.



**Accumulate on dips.** The RBA’s Kent proved sufficiently dovish this morning and with short term implied valuations capitulating lower, expect some reversion towards the 0.7000 base for a spot of reassessment. In the interim, the 200-day MA (0.7090) should continue to cap.



**Still bearish.** GBP continued to underperform against its peers as prospects of a no-deal Brexit continued to loom larger. The Conservative leadership announcement today with frontrunner Boris Johnson expected to assume the premiership on Wednesday. On the macro front, the NIESR and the BOE remain suitably downbeat and expect the pair to get repelled at 1.2550 for 1.2400.

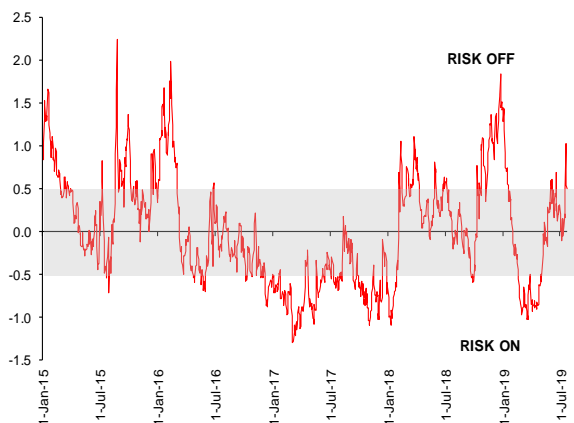


**Rangy.** USD-CAD was lifted on Monday by a disappointing May wholesale trade contraction (-1.8% mom). This has encouraged a further rebound in short term implied valuations for the pair, putting it back on neutral footing. Balance of risks may be tilted towards 1.3160 with support expected into 1.3075.

### Asian Markets

- **USD-Asia:** EM FX remained on the defensive against the greenback overnight with EM equities also slipping. With the risk environment staying jittery, expect the greenback to remain in ascendance during the Asian session.
- **Asian portfolio flows: Inflow momentum consolidating lower.** On aggregate terms, bond inflow momentum continued to slip compared to last week, with South Korean flows consolidating lower and Thai flows flipping into outflow territory. Bond flows into high-yielders, India and Indonesia remains supported. On the equity front, India flipped into a net outflow territory, while flows into Taiwan and Thailand eased lower.
- **USD-SGD: Upside risks.** Look towards more cues from the June CPI readings today at 0500 GMT. In the interim, the SGD NEER is relatively static at around +1.18% above its perceived parity (1.3782) with NEER-implied USD-SGD thresholds also firmer on the day. Expect implicit risk for the basket to continue to decay towards +1.00% (1.3646). Technically, the 200-day MA (1.3633) and 55-day MA (1.3647) are also expected to attract.

#### FX Sentiment Index



Source: OCBC Bank

#### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1157	1.1181	1.1199	1.1200	1.1245
GBP-USD	1.2383	1.2400	1.2466	1.2500	1.2627
AUD-USD	0.6957	0.7000	0.7028	0.7073	0.7082
NZD-USD	0.6700	0.6723	0.6740	0.6788	0.6791
USD-CAD	1.3019	1.3100	1.3126	1.3149	1.3200
USD-JPY	107.30	108.00	108.04	108.50	108.83
USD-SGD	1.3525	1.3600	1.3623	1.3630	1.3633
EUR-SGD	1.5200	1.5218	1.5256	1.5300	1.5345
JPY-SGD	1.2578	1.2600	1.2609	1.2647	1.2682
GBP-SGD	1.6867	1.6900	1.6984	1.7000	1.7199
AUD-SGD	0.9493	0.9500	0.9575	0.9600	0.9604
Gold	1392.86	1400.00	1419.00	1432.25	1454.40
Silver	16.18	16.30	16.34	16.40	16.51
Crude	54.85	56.20	56.26	56.30	57.21

Source: OCBC Bank

### Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
<b>TACTICAL</b>								
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<b>STRUCTURAL</b>								
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<b>RECENTLY CLOSED TRADE IDEAS</b>								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	19-Mar-19	16-May-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	0.06	
2	07-Jun-19	18-Jun-19	B	EUR-USD	1.1266	1.1186	Pitting the ECB against the FOMC	-0.72
3	14-May-19	26-Jun-19	S	AUD-JPY	76.12	75.28	Escalating Sino-US trade tensions	0.86

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