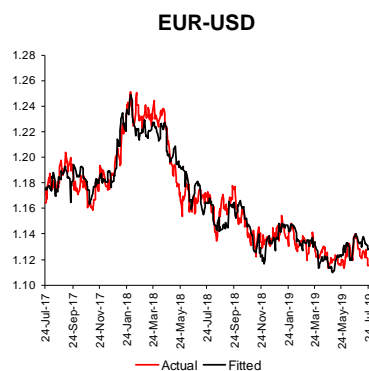


Wednesday, July 24, 2019

### Market Themes/Strategy/Trading Ideas

- The USD saw all-round strength on Tuesday following the 2-year extension of the government's borrowing/spending and news that a US delegation would head to China next Monday for further trade talks. Resultant higher UST yields contrasted with generally softer core global curves also further bolstered the greenback.
- Early in Asia on Wednesday, the **AUD-USD** took another step lower below 0.7000 after flash July PMIs deteriorated further from the previous month, underscoring the IMF's newly minted downwardly revised global growth forecasts released on Tuesday. Positive global equities (including in EM) and an all-round improvement in investor sentiment saw the **FXSI (FX Sentiment Index)** slipping within Risk-Neutral territory.
- **Bearish EUR-USD.** The **ECB meeting** tomorrow and Draghi's press conference are expected to be the primary focus and may impart more USD resilience if the ECB pans out to be more dovish than expected (including a tail risk of a rate cut). **With rate differentials flexing in favor of the USD, the DXY could well seek out the 98.00 neighborhood in this scenario with the EUR expected to remain a stark underperformer across G10 space.**



**Bearish.** After the clean break below 1.1200 and ahead of the ECB today, the EUR-USD is expected to remain downcast in line with its short term implied valuations. Expect some implicit support towards 1.1105 with the 55-day MA (1.1240) a solid ceiling.

Treasury Research &  
Strategy

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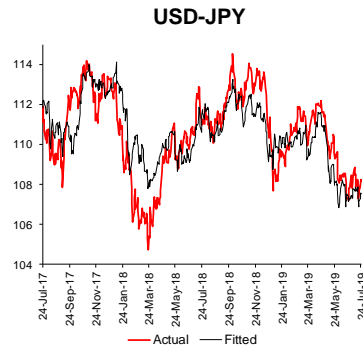
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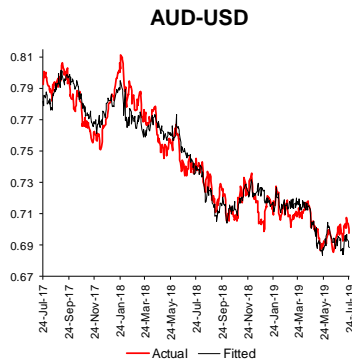
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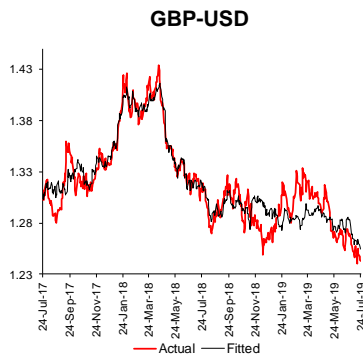
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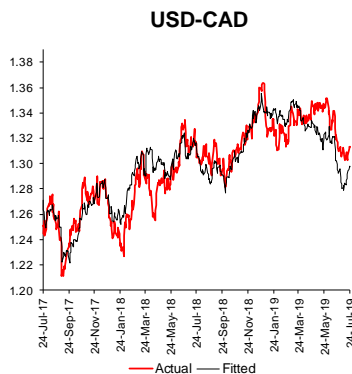
**Neutral.** The BOJ is expected to lower its growth and inflation forecasts next week and coupled with near term USD resilience, downside for USD-JPY may now be neutralized at this juncture. Short term implied valuations for the pair are still in the process of base building and the 55-day MA (108.58) may attract, especially if risk appetite continues to improve.



**Stall and reassess.** After relapsing back below 0.7000 again, a consolidation towards the 55-day MA (0.6958) may now be on the cards with near term topside headroom nullified. Ahead of the RBA's Lowe on Thursday, note that short term implied valuations have also capitulated lower fairly abruptly.



**Keep Calm & Stay Bearish.** The BOE's Saunders and Haldene (perennial hawks) have softened their stance while new PM Boris Johnson has promised a Brexit on 31 Oct 19. In the interim, short term implied valuations have continued to drill lower with 1.2400 now within reach with the lower bound of the pair's short term confidence interval situated at 1.2390.

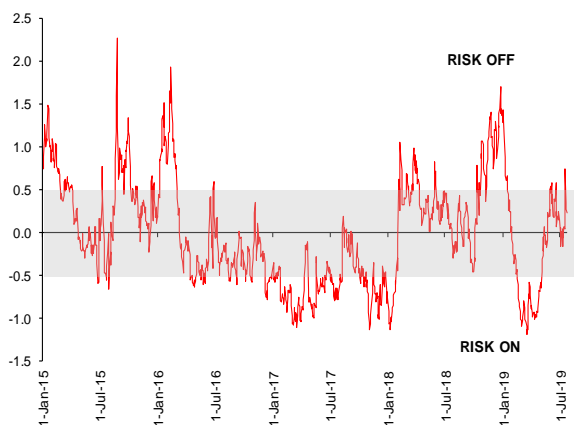


**Bottoming out.** USD-CAD may remain beholden to broader USD dynamics with short term implied valuations for USD-CAD continuing to bounce higher. As noted yesterday, balance of risks continue to be tilted north with near term scope for 1.3200 materializing.

### Asian Markets

- **USD-Asia:** Expect the USD to lead the Asian pairs higher today (note also firmer crude) but sentiments may be balanced by positivity from equity space. Overall, expect USD-Asia to be more contained relative to USD-G10 for now. On a longer term basis, we prefer the **IDR** against the likes of **KRW** and **THB** on the back of more favourable portfolio inflow dynamics.
- The **KRW**, in addition, may also be depressed by sufficiently dovish rhetoric from the **Bank of Korea** yesterday, leaving the expectation for further rate cuts in the open. On the data calendar, watch for South Korean 2Q GDP (2300 GMT) today. Another soft print could add more fuel to calls for additional monetary and fiscal stimulus into the year-end.
- **USD-SGD: Upside risks.** The June headline CPI readings disappointed (0.6% yoy vs. 0.8% yoy estimate), continuing a run of softer than expected data releases in Singapore. This left the USD-SGD most reactive to the surging USD overnight, taking the pair past resistance levels in quick succession. 1.3650 (55-week MA) may form the near-term locus for now, although we will not rule out a further extension towards 1.3680 in the coming sessions. On the SGD NEER front, we sit now at +1.08% above its perceived parity (1.3802) with NEER-implied USD-SGD thresholds again firmer on the day. While a near-term bounce cannot be ruled out, we expect a longer-term deterioration towards the +0.50% above parity (1.3734) and parity (1.3802) levels.

#### FX Sentiment Index



Source: OCBC Bank

#### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1137	1.1143	1.1145	1.1200	1.1243
GBP-USD	1.2382	1.2400	1.2432	1.2500	1.2619
AUD-USD	0.6936	0.6957	0.6980	0.7000	0.7071
NZD-USD	0.6603	0.6616	0.6696	0.6700	0.6724
USD-CAD	1.3017	1.3100	1.3136	1.3153	1.3200
USD-JPY	107.34	108.00	108.19	108.48	108.85
USD-SGD	1.3647	1.3650	1.3654	1.3700	1.3725
EUR-SGD	1.5200	1.5216	1.5217	1.5300	1.5342
JPY-SGD	1.2580	1.2600	1.2620	1.2654	1.2682
GBP-SGD	1.6871	1.6900	1.6974	1.7000	1.7174
AUD-SGD	0.9494	0.9500	0.9530	0.9600	0.9604
Gold	1392.80	1400.00	1420.40	1433.13	1454.40
Silver	15.05	16.30	16.31	16.40	16.47
Crude	54.86	57.00	57.07	57.10	57.14

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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