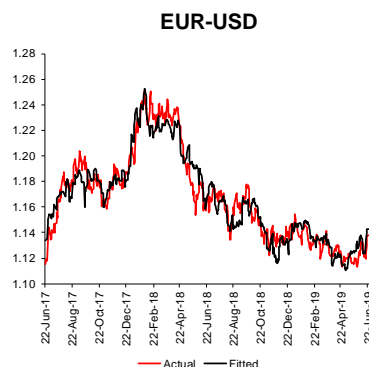


Monday, June 24, 2019

Market Themes/Strategy/Trading Ideas – The week ahead

- Amid the overhang of the FOMC meeting earlier in the week, the USD was weaker against most of the majors on Friday while global govie yields inched up slightly. With US-Iran tensions stabilizing slightly, wobbly global (including EM) equities failed to materially dent global sentiment, with the **FXSI (FX Sentiment Index)** inching lower within Risk-Neutral territory.
- On the **CFTC** front, large non-commercial accounts and leveraged accounts reduced significantly their net implied long dollar bias in the latest week. Meanwhile, asset manager accounts also reduced slightly their net implied short dollar bias during the same period. Note that that numbers pre-date the FOMC last week, and we expect positioning to have moved against the USD subsequently.
- The **G20 meeting** (and the Xi-Trump meeting) this weekend is expected to be the primary focus, although markets do not expect a landmark trade deal. Fed-speak this week, especially Powell's scheduled appearance on Tuesday will be closely scrutinized for further affirmation of the latest dovish slant of the FOMC. Elsewhere, **BOJ MPC minutes** are due late Monday, while **RBNZ's policy meeting** is scheduled for Wednesday (mkts: no change) but its forward guidance will be closely scrutinized.
- **USD fragility to persist for now.** With market-implied pricing still loaded for FOMC rate cuts in 2H 19 (note Bullard, Kashkari, Clarida, and Brainard's latest comments), expect inherent USD fragility against its G10 counterparts, with the EUR-USD still likely to be the best expression.

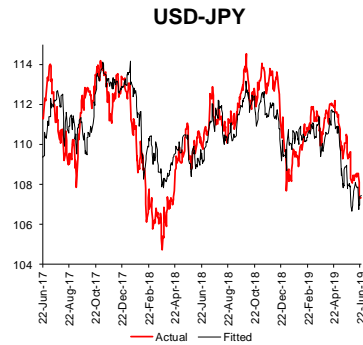


Firming. Mixed to better (French and German) EZ PMIs on Friday should see the EUR-USD start the week on a supported footing. Short term implied valuations for the pair are also climbing at this juncture and expected with the 200-day MA (1.1349) supporting and topside resistance seen at 1.1395.

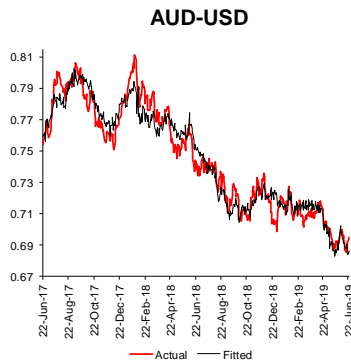
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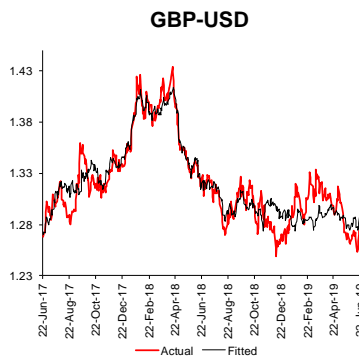
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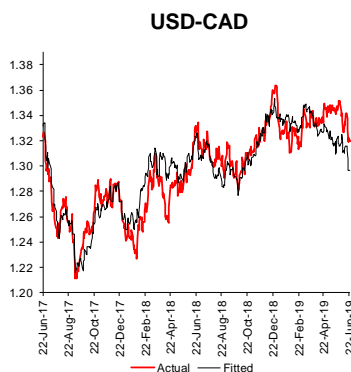
Drip lower. With short term implied valuations still relatively suppressed, USD-JPY may fail towards 107.60 and relapse towards 107.00 instead. Background caution towards official Japanese discomfort surrounding FX volatility may however restrain the speed of the descent.



Collect dips. This morning, the RBA's Lowe did not prove unduly dovish in his comments (questioning instead the limits of monetary easing) and expect the AUD-USD to pick its way higher in the current environment. Although short term implied valuations are still fairly subdued, the pair is not deemed to be overbought at this juncture. Expect initial resistance towards the 55-day MA (0.6991).



Supported on dips for now. The Johnson-Hunt race for the premiership is expected to remain the near term backdrop for the pair while wavering BOE rate expectations may also discourage excessive upside probes. Expect a resistance zone around 1.2780 at this juncture with a bounce expected into 1.2650 given the current broad dollar fragility and supported short term implied valuations.

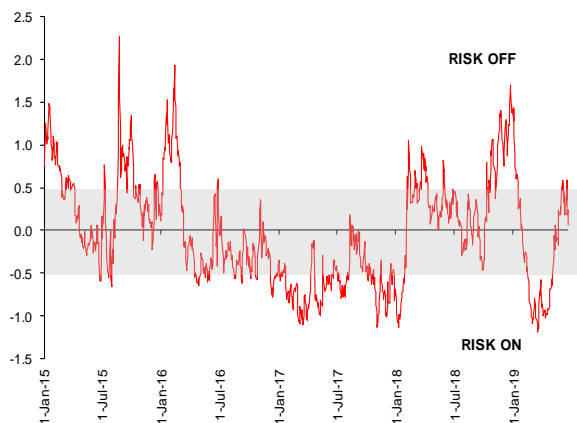


Southbound. CAD underperformed on Friday but the pair may remain oriented south, tracking its short term implied valuations. Risk towards the 1.3150 neighborhood remains apparent with the 200-day MA (1.3285) to shelter for now.

Asian Markets

- USD-Asia: Tracking the RMB complex.** Asian FX may continue to look to the renminbi complex this week, ahead of possible headline risks leading up to the G20 meeting. On this front, expect some consolidation in the USD-CNH around the 6.8500 handle, with 55-day and 200-day MA support levels (6.8418, 6.8365) coming in below it. Overall, we retain a soft posture on an intraday basis for USD-Asia as a whole. However, a firmer crude may limit the downside for selected currencies like the INR.
- Meanwhile, government bond yields in the region meanwhile are expected to remain under implicit negative pressure. On the Asian central bank front, the **Bank of Thailand** is expected to remain static at its monetary policy meeting is on Wednesday. However, watch for a worsening of its assessment of external downside risks, and any softening of monetary policy stance in-line with its Asian peers last week.
- Asian flow environment: EPFR** data show net implied outflow out of Asia (excl. Japan, China) deepened in the latest week while net bond inflows dipped to an almost neutral level. On the China front, net equity outflows compressed again for the 4th consecutive week to almost neutral while net bond flows flipped to a net small outflow balance.
- USD-SGD: Soft.** Downside momentum looks set to persist for the USD-SGD in the early week, in reaction to the USD and CNH. The 100-week MA (1.3529) may serve as a near term target, before bleeding further towards the 1.3500 floor. The SGD NEER is largely static, standing at +1.74% above the perceived parity (1.3773), with NEER-implied USD-SGD thresholds turning softer. Singapore's May CPI numbers are due at 0500 GMT today.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1300	1.1349	1.1377	1.1386	1.1393
GBP-USD	1.2548	1.2700	1.2744	1.2779	1.2800
AUD-USD	0.6852	0.6900	0.6950	0.6975	0.7000
NZD-USD	0.6500	0.6591	0.6592	0.6600	0.6660
USD-CAD	1.3151	1.3158	1.3198	1.3200	1.3285
USD-JPY	107.05	107.14	107.38	108.00	109.62
USD-SGD	1.3526	1.3536	1.3548	1.3600	1.3649
EUR-SGD	1.5327	1.5400	1.5413	1.5469	1.5478
JPY-SGD	1.2564	1.2600	1.2616	1.2665	1.2700
GBP-SGD	1.7165	1.7200	1.7266	1.7300	1.7461
AUD-SGD	0.9361	0.9400	0.9416	0.9500	0.9527
Gold	1368.86	1401.51	1406.00	1417.51	1500.00
Silver	14.91	15.30	15.38	15.40	15.44
Crude	52.76	55.00	57.80	59.05	59.13

Source: OCBC Bank

Trade Ideas

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

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