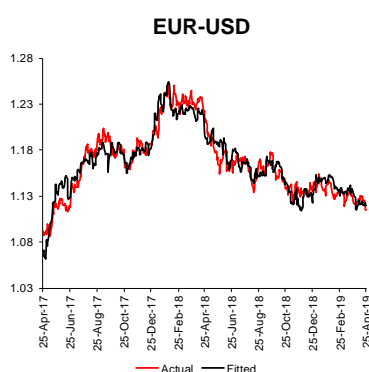


Thursday, April 25, 2019

Market Themes/Strategy/Trading Ideas

- The dollar strengthened against all the majors on Wednesday as a confluence of negatives in the majors (see below) conspired to lift the greenback higher. Amidst negative EZ/US equities, softer global sentiment also resulted in softer UST and core global curves. As such, the JPY (and CHF) managed to outperform on the crosses despite the move higher in the USD-JPY. The **FXSI (FX Sentiment Index)** ticked higher within Risk-On territory for the 2nd consecutive session as positive sentiment deteriorated.
- **Still siding with the USD.** For today, look to **BOJ MPC** and US March durable goods orders while in Asia, watch for any shift in posture (portending rate cuts) from **Bank Indonesia**. **In the interim, with several technical ranges violated and ahead of the extended Golden Week for Japan and the global Labor Day holiday next week, expect the greenback to continue to dominate with risk appetite levels also looking dicey.**
- **Tactical Short GBP-USD.** With pressure on PM May continuing to mount and talks with Labour still dead-locked, expect market patience with the GBP to continue to dissolve. From a **GBP-USD** spot ref of 1.2933 on Wednesday, we target 1.2495 and leave a stop at 1.3155.



Still heavy. EUR-USD was additionally weighed by a disappointing April German Ifo and with short term implied valuations also deteriorating, 1.1110 may continue to beckon with the bottom extreme for the pair's valuation envelope situated at 1.1082 currently.

Treasury Research &
Strategy

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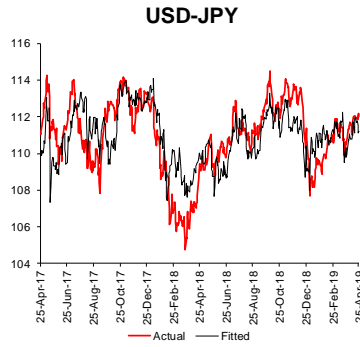
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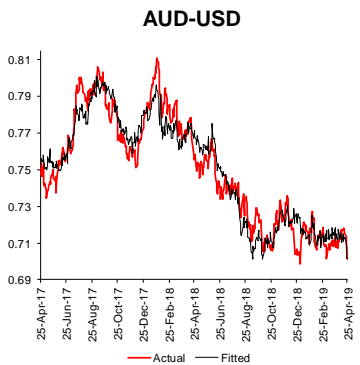
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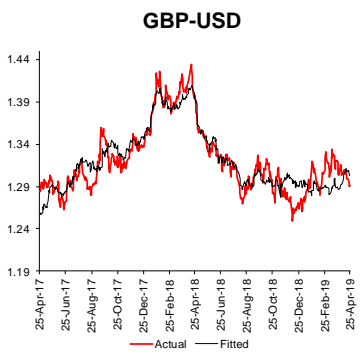
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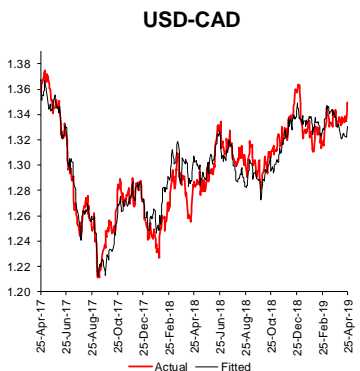
Bounce dips. USD-JPY spiked towards late NY as implied funding across the extended Golden Week jumped. Expect the pair to remain similarly supported on funding considerations despite short term implied valuations dipping slightly. Expect risk to retest 112.40.



Undermined. Softer than expected 1Q CPI numbers on Wednesday tripped the AUD-USD lower and in the current environment, expect scope to explore lower for the pair. Post-data, short term implied valuations have dislocated lower and 0.6975 may continue to attract in the near term.



Still southbound. GBP-USD is now threatening to detach lower from the 1.2900 floor with domestic headlines not expected to present much of a counter argument against USD resilience. Short term implied valuations are also tipping lower with the next waypoint expected at 1.2870.



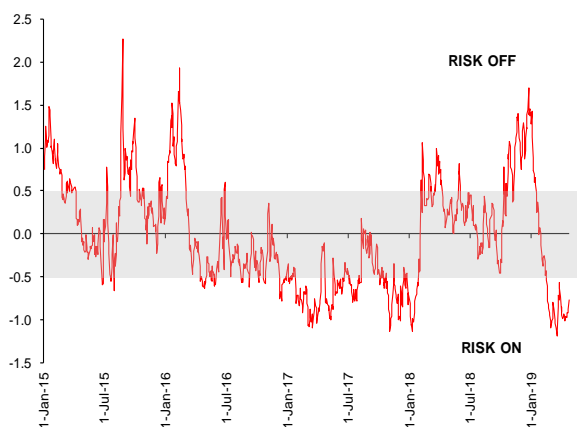
Skewed higher in the near term. USD-CAD spiked briefly above 1.3200 as the Bank of Canada slashed its growth forecast (and crucially, its neutral rate estimate) and also abandoned its hawkish bias in its accompanying statement. Not surprisingly, short term implied valuations for USD-CAD have spiked and a breach of 1.3500 risks further extension to 1.3550.

Source: OCBC Bank

Asian Markets

- USD-Asia – USD still in ascendant.** EM FX also retreated (notably the ARS) against the USD overnight and with EM equities also sinking lower, expect Asian FX to remain disadvantaged relative to the USD. With EM risk premiums attempting to push wider, expect sentiment to remain fragile.
- On the macro front, note also the disappointing 1Q GDP numbers out of South Korea (-0.3% sa qoq vs. 0.3% estimate) this morning – keeping the KRW under the negative spotlight. Note also softer than expected Malaysian CPI readings and the Bank of Thailand expecting growth to undershoot its projection. **Thus, despite a shift in the PBOC’s monetary posture, the other regional central banks (notably the RBI of late) are expected to be more pliant on the downside in terms of policy inclination – potentially undermining the Asian FX/yield complex.**
- USD-SGD – Watch for the 200-day MA.** The SGD NEER slumped to around +1.66% above its perceived parity (1.3851) this morning, with NEER-implied USD-SGD thresholds taking another step higher. With the USD-SGD breezing pass key topside levels yesterday, we expect it to retain an upside bias intra-day, with the 200-day MA (1.3652) acting as the new target. Expect the 1.3580/00 levels to cushion on the downside.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1100	1.1141	1.1155	1.1159	1.1200
GBP-USD	1.2900	1.2906	1.2913	1.2962	1.3000
AUD-USD	0.7000	0.7004	0.7021	0.7030	0.7100
NZD-USD	0.6500	0.6582	0.6599	0.6600	0.6610
USD-CAD	1.3400	1.3467	1.3489	1.3500	1.3521
USD-JPY	111.29	111.51	111.98	112.00	112.40
USD-SGD	1.3600	1.3605	1.3622	1.3637	1.3652
EUR-SGD	1.5164	1.5171	1.5195	1.5200	1.5284
JPY-SGD	1.2067	1.2100	1.2163	1.2168	1.2200
GBP-SGD	1.7538	1.7547	1.7590	1.7600	1.7696
AUD-SGD	0.9546	0.9557	0.9563	0.9600	0.9628
Gold	1264.00	1266.00	1275.50	1300.00	1300.63
Silver	14.78	14.80	14.88	14.90	14.98
Crude	61.14	65.60	65.62	65.70	66.60

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
1	24-Apr-19	S	GBP-USD	1.2933 1.2495 1.3155	Sustained Brexit uncertainty and pressure to oust PM May			
STRUCTURAL								
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			
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	01-Apr-19	02-Apr-19	S	GBP-AUD	1.8336	1.8600	Bounce in China PMI vs. Brexit uncertainty	-1.42
2	02-Apr-19	05-Apr-19	S	EUR-CAD	1.4923	1.5045	Dovish ECB vs. relatively more sanguine BOC	-0.79
3	05-Mar-19	11-Apr-19	S	AUD-USD	0.7074	0.7159	Potentially dovish RBA, macro conditions soggy	-1.13
4	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61

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