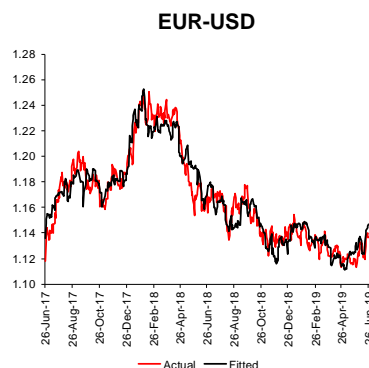


Wednesday, June 26, 2019

Market Themes/Strategy/Trading Ideas

- The dollar ended mixed to slightly stronger against some of its peers (XAU and CHF peaked and consolidated lower) on Tuesday while the JPY outperformed across the board on background investor nervousness (with UST yields also softening and the 10y <2.0000%) as US-Iran tensions heightened. Negative global (and EM) equities saw the **FXSI (FX Sentiment Index)** inching higher again within **Risk-Neutral** territory.
- **Push back.** Meanwhile, the **Fed's Bullard** (perennial dove) stated that a 50bps rate cut in July "would be overdone", indicating that any action would be "...more in the realm of insurance" and that he only expected a cumulative 50bps rate cut in the Fed funds rate by year-end. Elsewhere, **Fed chair Powell** noted that "The Fed is insulated from short-term political pressures..." and added that the Fed continues to "grapple" with whether conditions warrant a rate cut.
- The **RBNZ** this morning (0200 GMT) is expected to remain static at 1.50% while the **BOE's Carney** and colleagues testify on the BOE's Inflation Report at 0915 GMT. Meanwhile, the **ECB's Mersch** (0900 GMT) and the **Fed's Daly** (1530 GMT) are also scheduled.
- In the interim, US-Iran developments and Sino-US news flow bear watching, with a report indicating that the US may suspend further tariffs on China pending further negotiations. **With the Fed seeking to temper excessive rate cut expectations, broad based dollar vulnerability may take a breather into the Wednesday session pending further news flow.**

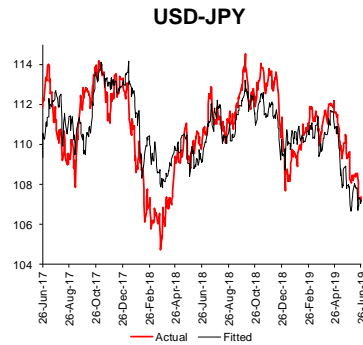


Pit stop. Expect some consolidation in the near term with a base around the 200-day MA (1.1346) despite short term implied valuations continuing to lift.

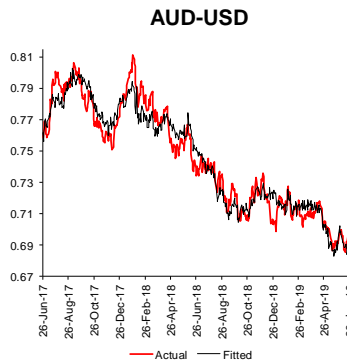
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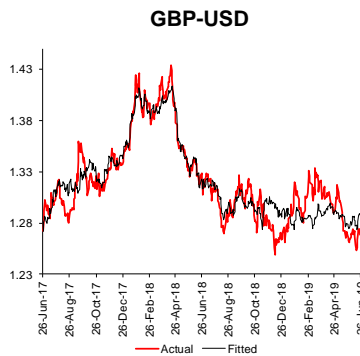
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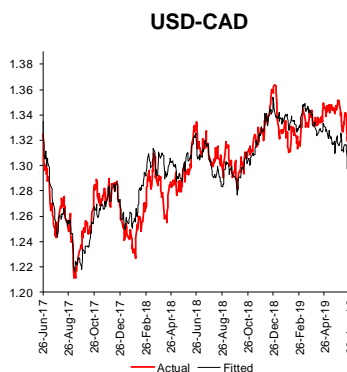
Drip lower. Investor skittishness may continue to put a lid on the USD-JPY, in line with its short term implied valuations. Downside support towards 106.80/90 may be expected for now with 107.80 seen capping.



Collect dips. With Sino-US developments still in limbo ahead of this weekend, investors may prefer to accumulate on dips instead of pursuing the pair higher from current levels. Short term implied valuations meanwhile remain relatively subdued and expect the 55-day MA (0.6984) to cap at this juncture.



Topping out? Our core near term view remains unchanged with a no-deal prospect keeping the GBP inherently vulnerable. Expect some potential to fade towards 1.2630/50 with 1.2750 seen capping.

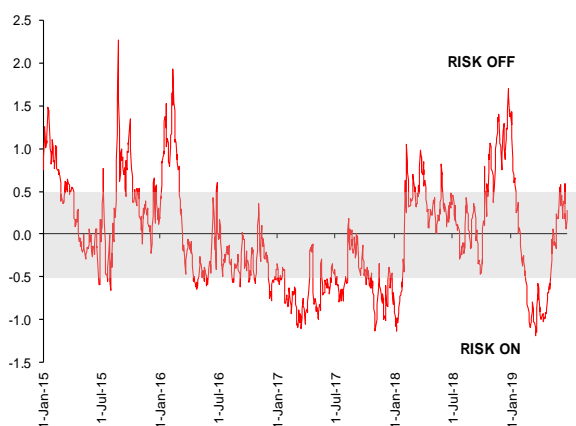


Southbound. We look for some capitulation in the near term after the recent down move in the pair. Note however that short term implied valuations remain suppressed. Downside at 1.3120 may continue to attract but markets may only choose to resume hitting the offers towards 1.3230 instead.

Asian Markets

- **USD-Asia: Downside stalling despite ongoing inflows.** The USD-CNH continued to tick higher, while the CFETS RMB Index bleeds lower. The reluctance of the RMB to show appreciation bias, coupled with the stalling USD weakness, may limit USD-Asia downside as we head towards G20.
- On the central bank front, the **Bank of Thailand** (0705 GMT) is expected to keep its benchmark interest rate unchanged at 1.75% but monetary conditions we think may be looking slightly restrictive if the global economic prognosis continues to deteriorate. Meanwhile, the **Bank of Korea** governor finally relented, highlighting now that there is room (but not much) for rate cuts. At this juncture, the Asian central banks may be waiting on the expected Fed cut. We expect the still-hesitant Asian central banks to fall in line quickly once that happens.
- **Asian flow environment: Recovering equity inflows.** Aggregate equity inflow momentum has recovered strongly across Asia as risk sentiments continued to improve ahead of G20. Bond inflow momentum, on the other hand, showed no signs of a let up. In particular, equity flows have nudged into positive momentum in Taiwan, and are now effectively neutral in Malaysia and Philippines. Pending a favourable outcome on G20, we may continue to see equity inflow momentum into Asia persist next week.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1300	1.1346	1.1358	1.1400	1.1412
GBP-USD	1.2554	1.2600	1.2684	1.2700	1.2782
AUD-USD	0.6900	0.6940	0.6966	0.7000	0.7020
NZD-USD	0.6588	0.6600	0.6654	0.6681	0.6682
USD-CAD	1.3119	1.3151	1.3183	1.3200	1.3287
USD-JPY	107.00	107.01	107.49	108.00	109.32
USD-SGD	1.3510	1.3521	1.3551	1.3600	1.3648
EUR-SGD	1.5300	1.5332	1.5391	1.5400	1.5472
JPY-SGD	1.2564	1.2600	1.2607	1.2667	1.2700
GBP-SGD	1.7123	1.7150	1.7187	1.7200	1.7423
AUD-SGD	0.9361	0.9400	0.9439	0.9500	0.9516
Gold	1400.00	1413.63	1414.90	1433.30	1500.00
Silver	14.92	15.20	15.26	15.30	15.48
Crude	50.60	58.80	58.85	58.86	58.90

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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