

Friday, June 28, 2019

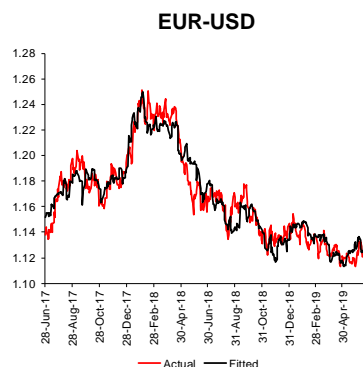
### Market Themes/Strategy/Trading Ideas

- The USD was flat to mixed against G10 counterparts, while cyclicals, led by the AUD, outperformed. At this juncture, the broad USD retains a consolidative stance, with the DXY index settling just north of the 96.00 handle. Note that the DXY index has been fluctuating on either side of the 200-week MA (95.97) for the greater part of the past year, so we note no sea-change in terms of long term technicals for the USD post-FOMC last week.
- Overall risk sentiments still largely buoyant as we head into the G20 weekend, with global equities positive and the **FXSI (FX Sentiment Index)** edging lower within the Risk-Neutral zone. Signs of risk aversion are mainly reflected in the Treasury market, with the Treasury curve taken lower (10y yield at 2.014%).
- **Headline-watching.** For now, we are reduced to headline-watching ahead of the Xi-Trump meeting, with markets reactive to stray reports on purported Xi-Trump outcomes. Overall, expect the major pairs to stay in consolidation mode, with the AUD and JPY perhaps more reactive to any static on this front.
- **Revert back to fundamentals.** Pending a surprise outcome over the weekend, market attention would probably move on from Xi-Trump, and revert back to Fed and other central bank easing expectations pretty much by the **RBA** meeting next Tuesday. In this context, keep a close watch on US PCE inflation (1230 GMT), and ISM manufacturing on Monday. Note also, that the Fed's Daly remained hesitant to call for a rate cut at the Fed this year, much less discuss whether it should be a 25 bps or 50 bps cut. Another round of soft PCE and ISM prints may, however, give more fuel to Fed rate cut expectations and softer Fed rhetoric, and thus compel investors to re-engage USD weakness.

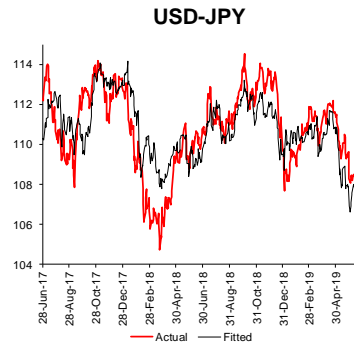
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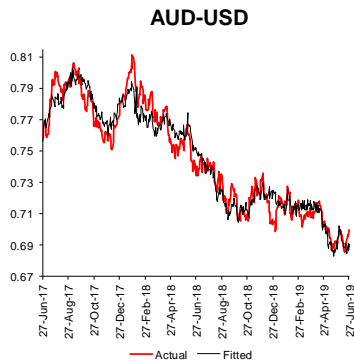
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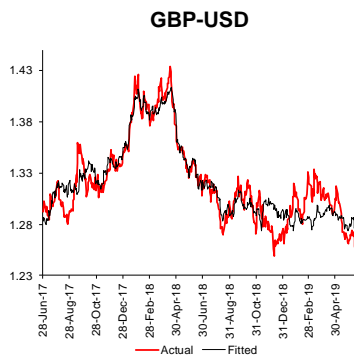
**Pausing for now.** Stronger than expected German CPI prints provided some support for this pair, although the main risk events for now may have less bearing for the EUR-USD compared to other majors. Short term implied valuations and technicals suggest a topping out in the near term. Expect 1.1344 and 1.1400 to bookend the pair for now.



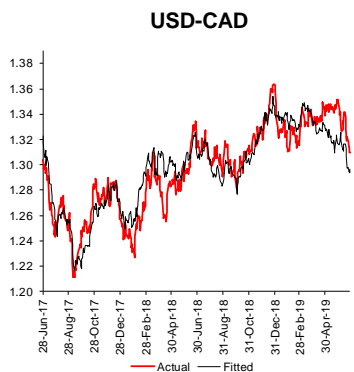
**Downtrend still intact?** Even though short term implied valuations for the USD-JPY are still consolidating, the technicals appear to point lower again. Watch the 107.20 as a near term target on the downside, with 108.00 likely to cap any bounces for now.



**Collect dips.** Expect this pair to stay reactive to Xi-Trump static into the weekend, but underlying optimism on the outcome should continue to support. Note however, that the upside drift may be curtailed by the RBA meeting next Tue. In the interim, there may be space to reach for the 100-day MA (0.7036), and expect the downside to be capped by the 55-day MA (0.6980).



**Topped out for now.** Short term implied valuations have effectively flat-lined, and technicals show limited upside impetus from here. Brexit headlines continue to weigh in the longer term, but near term prospects for the pair should be guided by the broad USD. Expect ongoing consolidation for now, with 1.2640 limiting the downside.

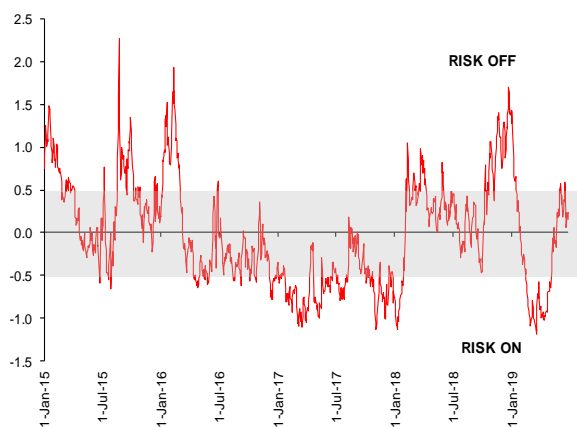


**Not reaching the bottom just yet.** Short term implied valuations and technicals continue to point south for this pair. Pre-G20, we look for 1.3080 as a near term waypoint on the downside. A faster pace of decline may return post-G20, when market attention reverts back to the Fed rate cut expectations.

## Asian Markets

- USD-Asia: Flat-to-heavy into the weekend.** A still positive EM equities/FX, coupled with a slight tinge of positivity on the potential Xi-Trump outcome may keep USD-Asia on a slightly heavy tone into the weekend. Nevertheless, notwithstanding the lower USD-CNH yesterday, the trend for the RMB complex may still be softer. In this context, there may be a risk of asymmetric USD-China moves once market attention shifts from G20, pending broad USD prospects.
- Headline risk stemming from China will be heavy in the coming days. Apart from the G20, expect official PMI over the weekend and Caixin manufacturing PMI on Monday. PBoC's Yi Gang also scheduled for comments on Monday.
- Asia flow picture: Looking out for reversals soon?** Inflow momentum into Asia continues to be very strong. On the bond front, the inflow momentum is essentially the strongest in the past three years. Equity inflows have also returned in a big way over the past week. Overall, given the strong inflow momentum, we may have perhaps reached a point where we need to keep an eye on a possible pause or reversal as the appetite for Asian assets reach near-term satiation levels. In particular, we think the equity front may prove to be transient, especially if we fail to obtain the expected outcome over G20.
- USD-SGD: Narrow range.** The USD-SGD remained largely flat on Thursday, and may remain so today as investors adopt a wait-and-see stance. Expect support at 1.3520 and resistance at 1.3570 on an intraday basis. The SGD NEER fluctuated within a range overnight, to stand at +1.74% above its perceived parity (1.3772) this morning, with the NEER-implied USD-SGD thresholds slightly softer.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1300	1.1342	1.1368	1.1400	1.1412
GBP-USD	1.2565	1.2600	1.2669	1.2700	1.2783
AUD-USD	0.6961	0.7000	0.7003	0.7023	0.7039
NZD-USD	0.6589	0.6600	0.6692	0.6700	0.6709
USD-CAD	1.3065	1.3086	1.3098	1.3100	1.3289
USD-JPY	107.00	107.12	107.61	108.00	108.99
USD-SGD	1.3501	1.3521	1.3537	1.3600	1.3647
EUR-SGD	1.5300	1.5338	1.5389	1.5400	1.5475
JPY-SGD	1.2500	1.2556	1.2580	1.2600	1.2658
GBP-SGD	1.7121	1.7123	1.7150	1.7200	1.7407
AUD-SGD	0.9361	0.9400	0.9480	0.9500	0.9508
Gold	1313.88	1400.00	1425.40	1433.30	1434.72
Silver	14.93	15.20	15.30	15.30	15.51
Crude	59.04	59.20	59.27	59.30	60.24

Source: OCBC Bank

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