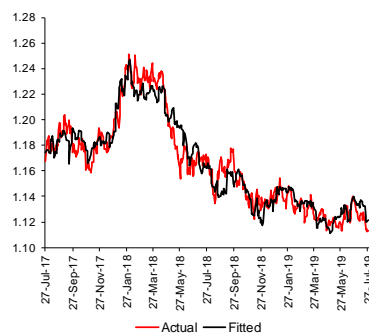


Monday, July 29, 2019

Market Themes/Strategy/Trading Ideas – The week ahead

- The USD remained resilient against G10 counterparts on Friday on the back of stronger-than-expected Q2 GDP release. US Treasuries held on to losses from Thursday. At this juncture, rate differential arguments continue to provide some implicit support for the broad USD. On the other hand, the GBP expectedly underperformed as PM Johnson took the hard line on Brexit negotiations, while the AUD continues to be cut lower on swirling RBA rate cut expectations.
- On the **CFTC** front, the investment community is split over the USD in the latest week, with asset managers deepening their implied USD shorts, and leveraged accounts extending their implied USD longs. Drilling deeper, the split is reflected mainly through the antipodeans, with asset managers paring shorts in the AUD and NZD heavily, while the leveraged accounts took the opposite stance.
- Other than the **FOMC**, watch also for the resumption of Sino-US trade talks and policy decisions from **BOJ** (Tue) and **BOE** (Thu) this week. On the data front, expect global PMIs across the week, US PCE inflation (Tue), and NFP (Fri), and CPI and GDP prints across Europe..
- **USD consolidative into FOMC.** The recent run in USD resilience may not be driven by rate cut expectations, with the implied probability for a 50 bps cut essentially static into the end of last week. Focus seems to have shifted to back to growth concerns, and the USD supported on the relatively stronger US outlook (vis-à-vis Europe at least). **Nevertheless, with the DXY index near year-to-date highs, there might be limited scope for significant upside from here for the broad USD pre-FOMC.** We expect the broad USD to adopt a consolidative stance into the FOMC.

EUR-USD

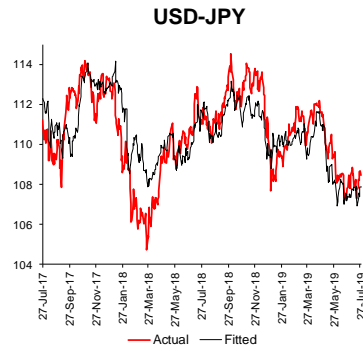


Still bearish. The less-than-inspiring macro prognosis from ECB last week should be sufficient to keep the pair on a heavy tone, with short term implied valuations still heavy. Nevertheless, expect the 1.1100 floor to hold up for now, with eyes on the FOMC this week.

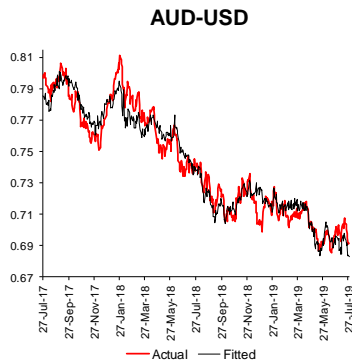
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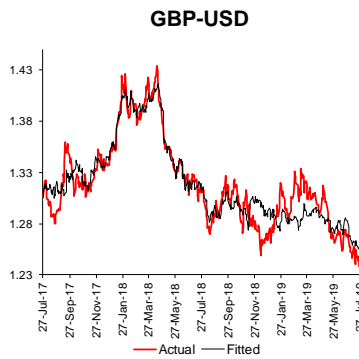
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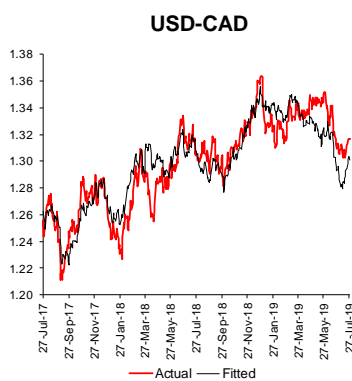
Tipping higher. Short term implied valuations edged higher again. Short of a dovish surprise at the FOMC this week, we retain a slight bias for a biddish USD-JPY, with 108.80 still within sight. 108.10 may cushion on the downside.



Descend. The RBA rate cut expectations should continue to depress this pair. The Aussie 10y yield slumped below 1.20% this morning, with backend yield differentials widening to a record, and looking to extend further. Short term implied valuations also show no support for now. Expect the pair to flex against the 0.6900 handle.



Keep Calm & Stay Bearish. With PM Johnson peddling the hard line on the Brexit negotiations, and the BOE also turning its back on rate hikes, there might be little in the way of an upside for the GBP for now. With the 1.2400 level puncture, expect further downside extension for this pair.

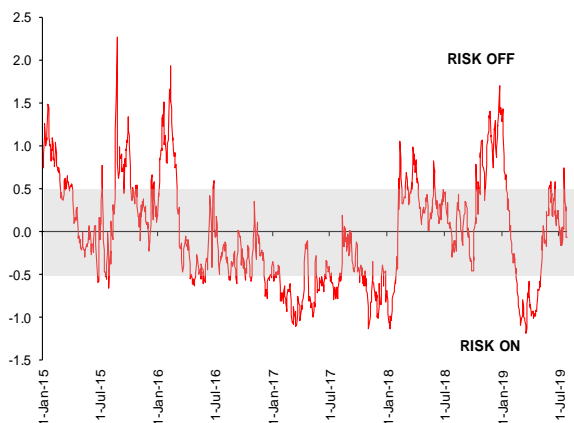


Bottomed out. Short term implied valuations for the pair may be leveling off after the run higher. Upside momentum may take a breather in the coming sessions. Expect the 1.3200 level to cap for now.

Asian Markets

- USD-Asia: Implicit lift.** Investors will be watching the resumption of Sino-US talks this week. However, with both sides managing expectations, and the USD-CNH still stuck within the range, we may not get much in support for the Asian currencies. Expect the USD to dominate for now, with USD-Asia still expected to remain supported.
- Asian portfolio flows:** On the EPFR front, the latest reading reveal that implied equity outflows from Asia (ex. CN JP) picked up again this week. Implied equity outflow from China spiked up significantly from neutral levels. Meanwhile, implied bond inflows moderated slightly, but are holding up better compared to equities on a rolling 4-week basis. Overlay with actual portfolio inflows, which has also been moderating lower across Asia, we continue to see limited background support for Asian currencies on the flow perspective.
- USD-SGD: Upside risks.** Firmer than expected June IPI numbers on Friday did little to tamper the negativity on the SGD at this juncture. With the 1.3700 handle breached this morning, a push towards 1.3710 (200-week MA) will be expected. Resistance at the 1.3710/20 levels may be firmer at this point. Meanwhile, the SGD NEER eased further to +0.85% above its perceived parity this morning, with NEER-implied thresholds also higher. The near term target continues to be the +0.50% above parity level (now estimated at **1.3755**), as the parity level (**1.3823**) comes increasingly into sight.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1102	1.1114	1.1132	1.1200	1.1241
GBP-USD	1.2364	1.2368	1.2373	1.2400	1.2599
AUD-USD	0.6900	0.6904	0.6907	0.6959	0.7000
NZD-USD	0.6600	0.6623	0.6628	0.6700	0.6725
USD-CAD	1.3016	1.3100	1.3167	1.3182	1.3200
USD-JPY	108.00	108.39	108.49	108.98	108.99
USD-SGD	1.3696	1.3700	1.3708	1.3725	1.3800
EUR-SGD	1.5200	1.5210	1.5260	1.5300	1.5319
JPY-SGD	1.2586	1.2600	1.2634	1.2664	1.2682
GBP-SGD	1.6896	1.6900	1.6960	1.7000	1.7103
AUD-SGD	0.9400	0.9425	0.9469	0.9494	0.9500
Gold	1393.13	1400.00	1422.30	1435.02	1454.40
Silver	15.11	16.30	16.33	16.40	16.51
Crude	54.23	56.00	56.06	56.10	56.75

Source: OCBC Bank

Trade Ideas

Inception	B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale			
TACTICAL								
--		--			--			
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
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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