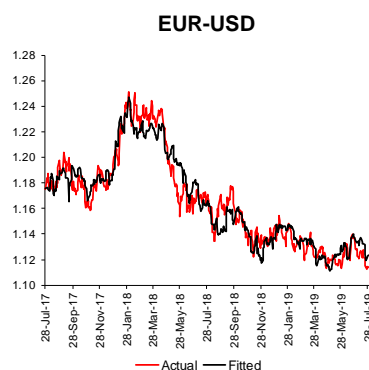


Tuesday, July 30, 2019

Market Themes/Strategy/Trading Ideas

- The **GBP** was effectively being cut down overnight as the market imputed further no-deal Brexit risks into the equation, with PM Johnson stepping up on the political gamesmanship. Keep an eye also on the **EURGBP** pair, which closed above the 0.9100 resistance. Meanwhile, implied vols for the GBP-USD continue to swing higher, perhaps suggesting that the GBP move may still have some runway.
- Meanwhile, the **AUD** and **NZD** continue to be taken lower as the market attention for rate cuts shift towards antipodean central banks. The **FX Sentiment Index (FXSI)**, hampered by mixed global equities overnight, edged higher within the Risk Neutral zone, signaling a slight deterioration of overall risk appetite.
- On the calendar today, expect the **BOJ** to stay static, although the Kuroda press conference will be gleaned for shifts in the forward guidance. Elsewhere, keep an eye on German CPI (1200 GMT) and US PCE inflation (1230 GMT). While this PCE inflation print may not influence the upcoming decision, expect it to contribute to market expectations on the rate cut expectations in the coming months.
- **The Boris Show ahead of FOMC.** Notwithstanding static from Trump (25 bps rate cut not enough), a heavy GBP (and buoyant EUR-GBP) may still hold investors' attention ahead of the FOMC. **At this point, the ball may be in the EU court. Any signs of a compromise may take the GBP higher, but expect further extension lower if that is not forthcoming.** On net, the broad USD appears to be benefitting somewhat from idiosyncratic factors ailing the rest of G10 currencies, rather than being explicitly Fed-centric for now.



Still bearish. The failure to extend declines south of the 1.1100 may contribute to the near-term bounce higher, with short term implied valuations also showing initial signs of a slight firming. The German CPI release may set the tone from the data front. Expect the pair to bounce on any dips towards 1.1100, with topside capped at 1.1180.

Treasury Research &
Strategy

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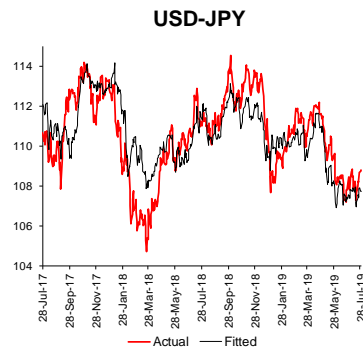
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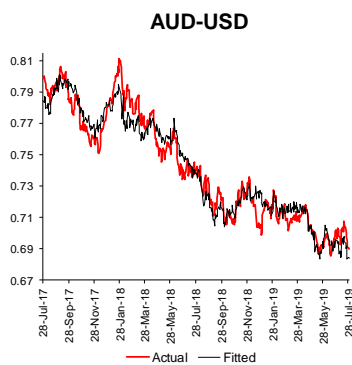
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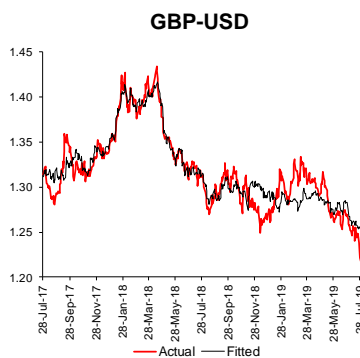
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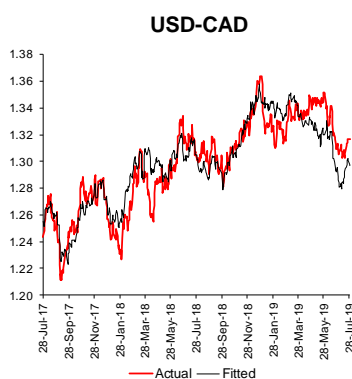
Tipping higher. The BOJ decision will be the focus for the day, but a shocker is not expected. Short term implied valuations softened slightly on the back of lower UST yields. Nevertheless, look for further upside bias, with 109.00 the next target. Any dip may be limited to 108.40.



Descend. A slump below the 0.6900 handle cannot be ruled out, despite short term implied valuations tailing off recent declines. Focus will be on the CPI print tomorrow, ahead of the FOMC, although a soft print may already have been factored in. Retain a sell on rallies posture.



Keep Calm & Stay Bearish. Political headlines will keep the GBP-USD pair heavy, unless there is willingness to compromise by the EU. Further downside extensions for this pair may target 1.1250 (March 2017 low).

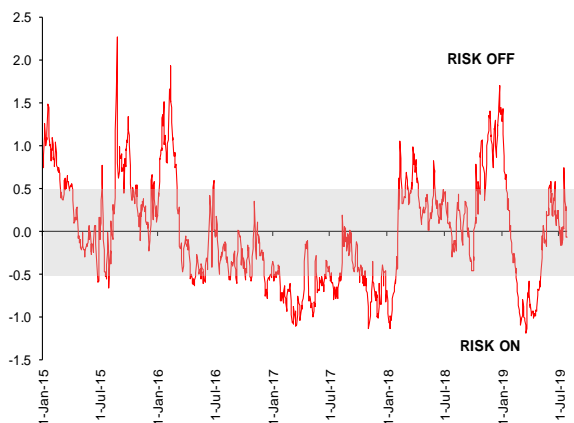


Topping off. Short term implied valuations for the pair are starting to tilt lower again. Upside momentum looks somewhat exhausted for now, pending new drivers. Expect the 1.3200 level to cap for now.

Asian Markets

- USD-Asia:** A retracement in the **USD-CNH** after the move higher yesterday may serve to anchor USD-Asia intraday. Note that the up-move in the USD-CNH failed again at the 6.9000 handle, keeping the pair in a range that started in early July.
- Asian portfolio flows: Inflows drying up.** Aggregate equity inflows into Asia have followed the footsteps of the bonds flows to moderate lower, essentially deteriorating back to neutral levels from a net inflow position. On a country basis, inflow momentum for South Korea continued to ease, while the Thailand and India dipped deeper into a net outflow territory.
- USD-SGD: Upside risks.** Continue to expect implicit uplift for the USD-SGD pair, but with the attempt to push through the 1.3720 failing, we may see some consolidation around the 1.3700 locus, before making another push higher, possibly pending the FOMC outcome. SGD NEER firmed to +1.0% above its perceived parity (1.3840) this morning, after hitting a low of +0.80% yesterday. Current view remains unchanged, with the +0.50% above parity level remaining the near-term target for now.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1102	1.1109	1.1141	1.1200	1.1241
GBP-USD	1.2100	1.2163	1.2178	1.2200	1.2259
AUD-USD	0.6891	0.6900	0.6907	0.6960	0.7000
NZD-USD	0.6600	0.6625	0.6632	0.6700	0.6725
USD-CAD	1.3016	1.3100	1.3167	1.3190	1.3200
USD-JPY	108.00	108.36	108.78	108.99	109.00
USD-SGD	1.3630	1.3641	1.3690	1.3700	1.3706
EUR-SGD	1.5200	1.5211	1.5252	1.5300	1.5315
JPY-SGD	1.2493	1.2500	1.2585	1.2588	1.2600
GBP-SGD	1.6600	1.6664	1.6672	1.6700	1.6769
AUD-SGD	0.9400	0.9419	0.9456	0.9493	0.9500
Gold	1397.88	1400.00	1423.10	1433.46	1454.40
Silver	15.19	16.40	16.45	16.50	16.51
Crude	56.66	57.10	57.19	57.20	57.29

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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