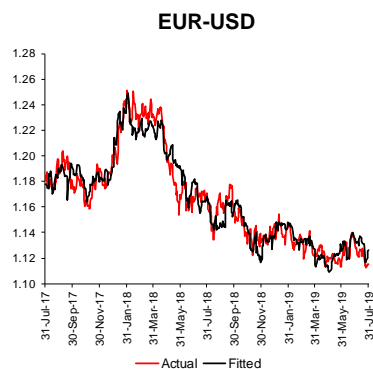


Wednesday, July 31, 2019

### Market Themes/Strategy/Trading Ideas

- The USD slipped versus the EUR, JPY and CHF ahead of the FOMC on Wednesday (note verbal threat from Trump regarding the Sino-US trade talks) while the antipodeans and the GBP (no-deal Brexit risks heighten) bucked the trend and continued weaken.
- Negative EZ/US equities and slightly more cautious sentiment saw the **FX Sentiment Index (FXSI)** ticking higher (**for the 3<sup>rd</sup> consecutive session**) within Risk-Neutral territory.
- The **FOMC** today (1800 GMT) and **Powell's press conference** (1830 GMT) will be closely watched, especially the accompanying forward guidance after the expected 25bps rate cut. **Essentially, we watch for any rhetoric confirming the perception that tonight's insurance cut will be an insurance cut or the start of something more insidious.**
- Markets will also track any emerging headlines from the **Sino-US talks** in Shanghai while on the data front, with investors likely to be sidelined into tonight's headline risks.



**Top heavy.** Implicit USD vulnerability ahead of the FOMC notwithstanding may imply diminished downside potential for now, with short term implied valuations for the pair also attempting to base build in the last few sessions. Expect a 1.1120-1.1180 range pre-FOMC.

Treasury Research &  
Strategy

**Emmanuel Ng**

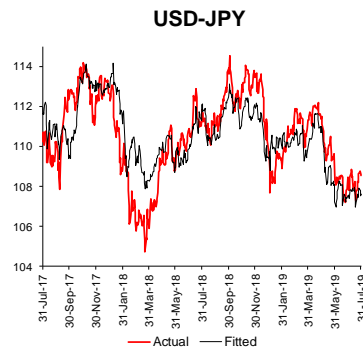
+65 6530 4037

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

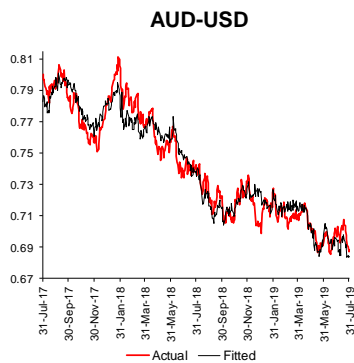
**Terence Wu**

+65 6530 4367

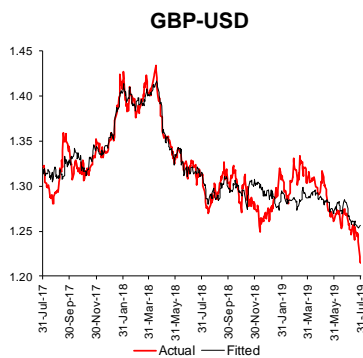
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)



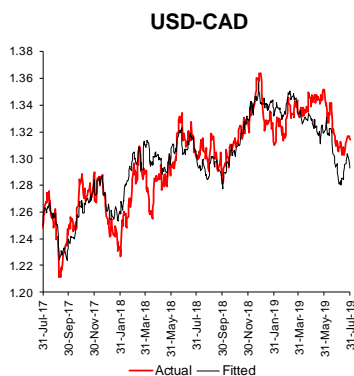
**Slightly heavy for now.** The **BOJ MPC** (no cut as expected) on Tuesday saw the central bank remaining sufficiently (if not more) dovish with growth and inflation forecasts also cut. USD-JPY may remain weighed by slightly easier short term implied valuations and background USD fragility (stemming also from slight wavering of risk appetite). Expect some attempt to pool around the 55-day MA (108.49) ahead of 108.25.



**Descend.** 2Q (core) CPI numbers this morning came in largely as expected and AUD-USD may continue to maintain a southerly bent into the FOMC with little global macro cheer to underpin. Short term implied valuations remain suppressed and the pair may decay towards 0.6830/50.



**Keep Calm & Stay Bearish.** Gilt yields and GBP are expected to remain soft despite GBP-USD overrunning its short term implied valuations. Next visible support is expected towards 1.2100. PM Johnson has promised an exit “no matter what” while Ireland has stated that the Irish backstop is non-negotiable. Watch for the EU’s reaction going ahead.

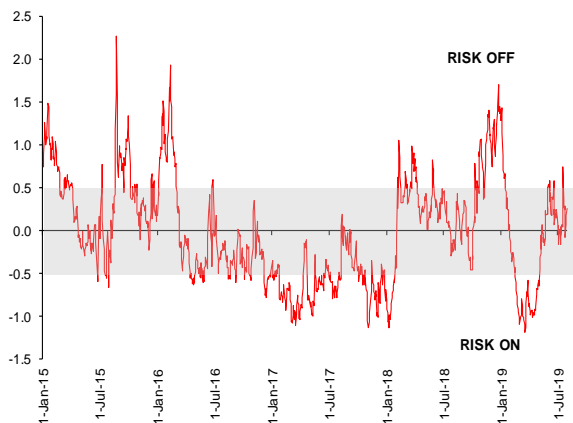


**Topping out.** USD-CAD may attempt to base build of the 1.3120 floor ahead of the FOMC with 1.3200 also seen capping. Note however that short term implied valuations for USD-CAD have been topping out (note firmer crude overnight) in the last few sessions.

## Asian Markets

- USD-Asia: Likely static ahead of FOMC.** EM equities took a step lower on Tuesday and USD-Asia may be pulled in opposing directions, with a static broad USD flexing against weak global sentiment ahead of the FOMC. **CNH in the interim may remain an anchor of stability in the region, outperforming across the board.** On the flipside, look for underperformance from the KRW and SGD.
- In **China**, the **Politburo** meeting addressed trade frictions and markets may take comfort that the authorities remain vigilant towards downside macro risks. Separately, look out for potential headline risks emanating from the Sino-US talks in Shanghai. On the data front, official manufacturing PMI marginally outperformed expectations, although this was offset by the non-manufacturing print coming in softer than expected.
- USD-SGD: Upside risks.** Expect the SGD to continue to underperform Asian counterparts. The pair may see ongoing consolidation near the 1.3700 locus ahead of the FOMC, with 1.3680 and 1.3720 likely to bookend the intraday range. Meanwhile, the SGD NEER softened to +0.94% above its perceived parity (1.3838) this morning, reversing a rebound that started on Monday. NEER-implied USD-SGD thresholds were effectively static on the day.

### FX Sentiment Index



Source: OCBC Bank

### Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1102	1.1107	1.1153	1.1200	1.1241
GBP-USD	1.2100	1.2119	1.2151	1.2196	1.2200
AUD-USD	0.6863	0.6867	0.6879	0.6900	0.6959
NZD-USD	0.6534	0.6568	0.6588	0.6600	0.6627
USD-CAD	1.3016	1.3100	1.3138	1.3191	1.3200
USD-JPY	108.00	108.32	108.56	108.99	109.00
USD-SGD	1.3640	1.3700	1.3707	1.3720	1.3722
EUR-SGD	1.5200	1.5212	1.5287	1.5300	1.5316
JPY-SGD	1.2591	1.2600	1.2626	1.2666	1.2668
GBP-SGD	1.6598	1.6600	1.6655	1.6700	1.6705
AUD-SGD	0.9370	0.9400	0.9429	0.9491	0.9500
Gold	1398.06	1400.00	1428.90	1436.03	1454.40
Silver	15.24	16.50	16.52	16.60	16.64
Crude	57.23	58.40	58.45	58.50	60.59

Source: OCBC Bank

### Trade Ideas

	Inception		B/S	Currency	Spot/Outright	Target Stop/Trailing Stop	Rationale	
<b>TACTICAL</b>								
	--			--			--	
<b>STRUCTURAL</b>								
	--			--			--	
<b>RECENTLY CLOSED TRADE IDEAS</b>								
	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

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

---

