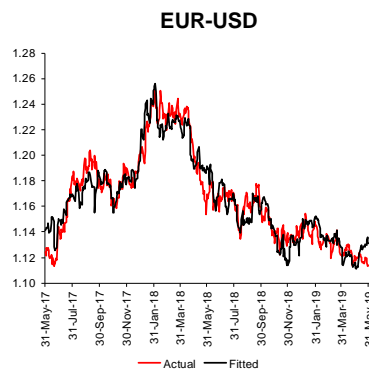


Friday, May 31, 2019

Market Themes/Strategy/Trading Ideas

- The dollar ended mixed to slightly firmer against the majors on Thursday even as UST yields slipped again. Fed's Clarida noted that the Fed may cut rates if the data decelerates more rapidly than envisaged. To this end, we note that the inversion of the US3/10s continues to dig south. The **FXSI (FX Sentiment Index)** eased slightly within Risk-Neutral territory on Thursday but expect the Index to head higher again on Friday on heightened global trade tensions.
- **Renewed uncertainty.** Global trade tensions may continue to circulate into the end of the week after the US administration levied additional tariffs on imports from Mexico. Expect the USD to retain the upper hand and cyclical assets (including cyclical FX) to remain under negative pressure while global bond yields (10y UST < 2.20%) may continue to reflect heightened uncertainty (i.e., push lower). On the Sino-US front, note that China's stance has increasingly hardened in recent weeks.
- Ones to watch today on the calendar include the German May CPI (1200 GMT), US April PCE deflator (1230 GMT) and Michigan consumer confidence (1400 GMT). Central bank appearances include the ECB's Visco (0800 GMT), and the Fed's Bostic (1315 GMT) and Williams (1600 GMT).



Heavy posture. EUR-USD continued to be capped by Italian fiscal concerns and price discovery may continue to be biased southwards despite supported short term implied valuations. Preference to stay top heavy within 1.1100-1.1160 intra-day.

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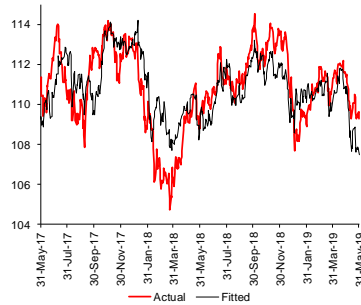
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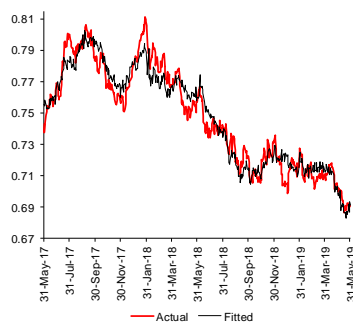
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USD-JPY



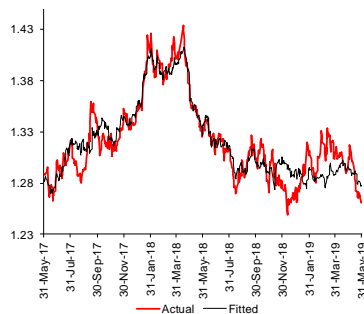
Softer. Renewed investor jitters today may compel the pair to hunt lower towards the 109.00 floor ahead of 108.75. Note that short term implied valuations are also easing after holding steady in the last few sessions.

AUD-USD



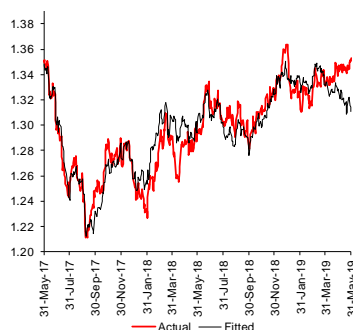
Risk of testing lower. If the support at 0.6900 is breached, space for a further descent towards the 0.6820 neighborhood cannot be ruled out. At this juncture, negative global sentiment may continue to override supported short term implied valuations for the pair.

GBP-USD



The sinking feeling. GBP-USD continued to decay with the pair still weighed by Brexit uncertainty and expect this environment to persist into the end of the week. Notably, short term implied valuations for the pair have also tilting lower once again. The support at 1.2600 therefore looks increasingly fragile with 1.2475 the next key objective.

USD-CAD

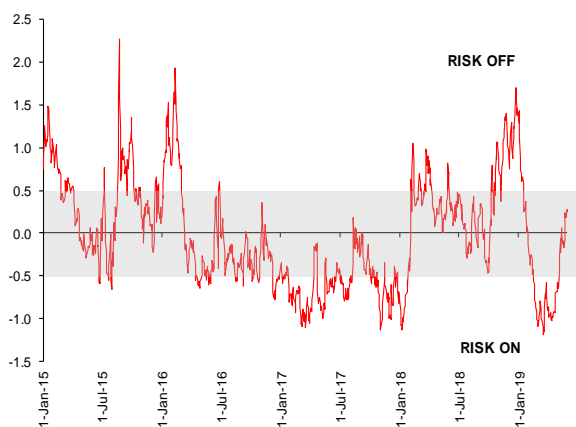


Finally breaking higher? The CAD was underpinned by supportive comments from the BOC's Wilkins but this resilience is expected to be undone by fresh risk aversion into the end of the week. Expect 1.3550 to attract despite short term implied valuations for the pair biased lower.

Asian Markets

- USD-Asia: Still pressured higher.** EM equities climbed overnight but fresh US tariffs on Mexico will be expected to undermine sentiment in Asia. China’s May PMIs this morning came in flat to softer than expected and may do no favors for investor sentiment. There remains very little going on for the Asian currencies in the broader perspective for now, and we think the USD should remain on the upper hand against the Asian currencies. The **INR** and **THB** may outperform counterparts on the back of better inflow environment.
- On the central bank front, the **Bank of Korea** this morning remained static at 1.75% as expected. Meanwhile, the BSP remains firmly on the easing camp, with Governor Diokno “promising” more rate cuts to come.
- Asia flow environment: Momentum building for India and Thailand.** Inflow momentum continues to be strong in South Korea, with bond inflows continuing to be strong. Net inflow momentum for India also accelerated higher, on the back of returning bond and equity flows. Meanwhile, inflows continue to come into Thai equity markets, although at a slower pace.
- USD-SGD: Some consolidation at hand.** Downside support at 1.3780 held firm, with the USD-SGD returning to the 1.3800 pivot this morning. At this juncture, we think the path higher may resume after some consolidation. Expect the pair to bounce on dips between the 1.3770 and 1.3820 range. On the SGD NEER front, we stand at +1.00% above the perceived parity (1.3932). NEER-implied USD-SGD thresholds eased slightly lower.

FX Sentiment Index



Source: OCBC Bank

Technical Support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1107	1.1121	1.1138	1.1200	1.1211
GBP-USD	1.2581	1.2600	1.2612	1.2700	1.2951
AUD-USD	0.6865	0.6900	0.6915	0.7000	0.7016
NZD-USD	0.6482	0.6500	0.6511	0.6600	0.6619
USD-CAD	1.3500	1.3526	1.3528	1.3547	1.3600
USD-JPY	109.01	109.02	109.34	110.00	110.64
USD-SGD	1.3656	1.3700	1.3799	1.3800	1.3837
EUR-SGD	1.5279	1.5300	1.5369	1.5400	1.5440
JPY-SGD	1.2323	1.2600	1.2621	1.2671	1.2677
GBP-SGD	1.7363	1.7400	1.7404	1.7500	1.7651
AUD-SGD	0.9460	0.9500	0.9541	0.9572	0.9585
Gold	1269.56	1287.72	1291.80	1299.76	1300.00
Silver	14.25	14.50	14.51	14.60	14.86
Crude	55.66	56.10	56.13	56.20	56.63

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								
2	19-Mar-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			
RECENTLY CLOSED TRADE IDEAS								
Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)*	
1	15-Apr-19	24-Apr-19	B	AUD-USD	0.7167	0.7055	Near term recovery in global macro sentiment	-1.61
2	24-Apr-19	03-May-19	S	GBP-USD	1.2933	1.3155	Sustained Brexit uncertainty and pressure to oust PM May	-1.64

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