Market Themes/Strategy/Trading Views

- Despite slightly firmer UST (and other global core) yields by the end of the global day, the dollar traded mixed again on Tuesday as the global recovery in EZ/US equities underpinned cyclical FX but undermined the JPY on the crosses while the EUR underperformed across the board. Overall, the DXY retook the 96.80 level and the pair may remain in the vicinity of its 100-day MA (96.554).

- **RBNZ tilts** - The RBNZ this morning shifted its monetary policy posture materially by stating that the balance of risks has shifted to the downside and that the more likely direction of the next rate move is down. If the kiwi is able to stay submerged below its 55-day MA (0.6825), expect the pair to fill the bottom of its recent range, heading towards the 200-day MA (0.6737). Expect also for the AUD-NZD to mean revert towards 1.0500 with 1.0300 now a solid floor multi-session.

- Ahead of further Sino-US trade talks in Beijing tomorrow, the global calendar today includes a series of “indicative” Brexit votes in the UK parliament (from 1500 GMT) with results due after 2100 GMT.

- **EUR-USD** has relinquished Ifo-inspired gains (and then some) and may remain top heavy going ahead despite slightly supported short term implied valuations. Prefer to angle for 1.1200 within 1.1200-1.1300.

- Preference to sell rallies in the **USD-JPY** on any approach towards 111.00 with the 55-day MA (110.33) despite the near term stabilization of short term implied valuations for the pair after the recent dislocation lower. The 55-day MA (110.33) remains at risk of a violation ahead of 109.90/00.

- Short term implied valuations for the **GBP-USD** continue to remain suppressed at this juncture and the pair may remain anchored at 1.3200 ahead of the headline risks later in the global day.

- In the wake of the RBNZ this morning, the AUD-USD may be capped at this 55-day MA (0.7131) as further uncomfortable questions will be asked about the RBA’s policy trajectory this year. Positive risk appetite considerations may be sidelined in the interim, grounding the pair around 0.7100 instead and with nearest support expected into 0.7080. While short term implied valuations for the **USD-CAD** may be peaking in the short term, slightly nervous sentiment may also put a floor at 1.3350/70 in the short term. Look to accumulate for 1.3450 instead.
Asian Markets

- In a nutshell, broader based EM concerns may prevail while the renminbi complex at this juncture is also deferring to the USD. Thus, the USD may remain slightly resilient in the Asian complex with sentiment towards EM space still relatively cautious. The FXSI (FX Sentiment Index) slipped on Tuesday but an unsteady start to Asian equities on Wednesday may continue to see USD-Asia being supported on dips.

- Asian portfolio flows - imparting traction only for the INR. South Korea continues to print strong net portfolio inflows (on the bond front) but net equity inflows for Taiwan continue to moderate. India also continues to receive significant net equity inflows with net bond inflows also climbing. Overall net flows Thailand meanwhile continue to remain moribund with net equity outflows for Malaysia attempting to compress.

- USD-SGD – Supported on dips. The SGD NEER is softer this morning at +1.69% above its perceived parity (1.3755) despite NEER-implied USD-SGD thresholds being softer on the day. Given the current market backdrop, we cannot rule out a drift towards +1.50% for the NEER with the 55-day MA (1.3541) likely to attract ahead of 1.3450.

- CFETS RMB Index: The USD-CNY midpoint came in largely in line with expectations at 6.7141 from 6.7042 yesterday. The CFETS RMB Index meanwhile fell to 95.00 from 95.02 on Tuesday.

Source: OCBC Bank, Bloomberg
### Short term Asian FX/bond market views

<table>
<thead>
<tr>
<th>Country</th>
<th>USD/Asia</th>
<th>10y govie (%)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>↔</td>
<td>↔</td>
<td>NPC portends further accommodation in the pipeline. Feb CPI in-line with expectations, but PPI surprised on the downside. Jan industrial profits deteriorate further at -1.9% yoy. Feb retail sales and industrial production in-line to weaker than estimates. Feb official PMIs softer than expected. Feb Caixin manufacturing PMI better than expected (49.9) but services and composite PMIs deteriorate. Feb trade numbers, especially exports, contracted on a yoy basis, underperforming consensus. Feb aggregate financing, new yuan loans and M2 aggregate all lower than expected. Look for signs of a bottoming out of the domestic economy in Q2.</td>
</tr>
<tr>
<td>S. Korea</td>
<td>↔/↑</td>
<td>↔</td>
<td>BOK unchanged at 1.75% in Feb. Policy stance remains accommodative (but not unduly dovish). Rate cuts still considered premature. BOK Feb minutes reveal downbeat assessment for domestic economy. Feb headline CPI softer than expected (0.5% yoy) but core ticks higher to 1.3% yoy. Feb exports at a worse than expected -11.1% yoy. Feb manufacturing PMI deteriorates further to 47.2.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>↔</td>
<td>↔/↓</td>
<td>CBC static at 1.375% in March 2019. GDP growth and inflation forecasts downgraded and policy viewed as neutral/accommodative. Feb manufacturing PMI drops further to 46.3. Feb CPI continues to print in the soft side. Feb exports worse than expected.</td>
</tr>
<tr>
<td>India</td>
<td>↓</td>
<td>↔</td>
<td>Feb CPI warmer than expected at +2.57% (but below the 4% target) but Jan revised lower. Core CPI readings also continue to moderate. Jan industrial production disappoints at +1.7% yoy. RBI delivered a surprise 25 bps cut in Feb and shifted to neutral. Feb PMIs improve from previous month. Feb trade deficit smaller than expected. Recent INR appreciation driven by strong inflow momentum, but may sit rather uncomfortably with the rise in crude. Elections due Apr/May 2019 (results due 23 May).</td>
</tr>
<tr>
<td>Singapore</td>
<td>↔</td>
<td>↔</td>
<td>Feb PMI weakens further to 50.4. 4Q GDP surprises on the downside at 1.6% saar. Feb headline and core CPI softer than expected at +0.50% yoy and +1.5% yoy. Feb industrial production numbers mixed.. Feb NODX outperform expectations at 4.90% yoy. Monetary policy thought to be “appropriate”, and “no need for stimulus” for now.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>↔/↑</td>
<td>↓</td>
<td>BNM static at 3.25%, although rumbles for a rate cut this year is building. Feb CPI prints again show deeper than expected deflationary pressures at -0.4% yoy. Feb manufacturing PMI falls to 47.6. Jan exports better than expected at 3.1% yoy. Jan industrial production numbers outperform expectations. 4Q GDP surprises on the upside at +4.7% yoy.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>↔/↑</td>
<td>↓</td>
<td>BI unchanged in March meeting. Policy focus still on external stability, but may undertake accommodative macroprudential policies to push domestic demand. Macroprudential tweaks to increase liquidity in the banking system. IDR seen as in line with fundamentals. Curve has been attempting to price in a rate cut. Feb headline CPI cooler than expected (2.57%), core steady at 3.06%. Feb exports and imports both slumped more than expected, but the net result was a surprise trade surplus. 4Q18 CA deficit widened more than expected. Elections slated for 17 April 2019.</td>
</tr>
<tr>
<td>Thailand</td>
<td>↔/↑</td>
<td>↑</td>
<td>BOT unchanged in Mar, unanimous decision. GDP, export growth and core CPI forecasts downgraded. Reference to creating policy space dropped from statement. Feb customs exports above expectations, but mainly due to one-off factors. Jan current account surplus contracts by more than expected. Feb headline inflation warmer than expected at 0.73% (target range:1-4%), core cooler than expected at 0.60%. Possible positive market reaction to election result, with pro-junta party expected to retain control.</td>
</tr>
<tr>
<td>Philippines</td>
<td>↑</td>
<td>---</td>
<td>BSP unchanged in March (not as dovish as feared), but RRR cut remains on the table, potentially in May. Excessive price pressures seen in 2018 easing off. Dec exports underperformed expectations at -12.3% yoy. Feb CPI softer than expected at +3.8% yoy (back within the 2-4% range). 2018 fiscal deficit likely widened to 3.1%.</td>
</tr>
</tbody>
</table>

Source: OCBC Bank
USD-Asia VS. Net Capital Flows

South Korea

Taiwan

India

Indonesia

Philippines

Thailand

Malaysia

Source: CEIC, Bloomberg, OCBC Bank
**ACI VS. Net Capital Flows**

**FX Sentiment Index**

Source: OCBC Bank

---

**1M Correlation Matrix**

Source: Bloomberg

---

**Technical support and resistance levels**

Source: OCBC Bank

---

**G10 FX Heat Map**

Source: OCBC Bank

---

**Asia FX Heat Map**

Source: OCBC Bank

---

**Treasury Research & Strategy**
Government bond yield changes

US

Eurozone

Japan

UK

Australia

Canada

China

Korea

Taiwan

India

Indonesia

Singapore

Thailand

Malaysia

Philippines
### Trade Ideas

<table>
<thead>
<tr>
<th>Inception</th>
<th>B/S</th>
<th>Currency</th>
<th>Spot/Outright</th>
<th>Target Stop/Trailing Stop</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TACTICAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 05-Mar-19</td>
<td>S</td>
<td>AUD-USD</td>
<td>0.7074</td>
<td>0.6870</td>
<td>0.7175</td>
</tr>
<tr>
<td><strong>STRUCTURAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 19-Mar-19</td>
<td>Long 2M USD-SGD 25-delta strangle</td>
<td></td>
<td></td>
<td></td>
<td>Relatively depressed vol surface ahead of imminent global headline risks</td>
</tr>
</tbody>
</table>

### RECENTLY CLOSED TRADE IDEAS

<table>
<thead>
<tr>
<th>Inception</th>
<th>Close</th>
<th>B/S</th>
<th>Currency</th>
<th>Spot</th>
<th>Close</th>
<th>Rationale</th>
<th>P/L (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 11-Feb-19</td>
<td>27-Feb-19</td>
<td>S</td>
<td>EUR-USD</td>
<td>1.1325</td>
<td>1.1393</td>
<td>Darkening EZ macro outlook</td>
<td>-0.46</td>
</tr>
<tr>
<td>2 28-Feb-19</td>
<td>06-Mar-19</td>
<td>S</td>
<td>3M USD-CN</td>
<td>6.6861</td>
<td>6.7350</td>
<td>Renminbi stability, PBOC policy backstop, conducive inflow environment</td>
<td>-0.73</td>
</tr>
<tr>
<td>3 27-Feb-19</td>
<td>13-Mar-19</td>
<td>S</td>
<td>1M THB-PHP</td>
<td>1.6536</td>
<td>1.6750</td>
<td>Contrasting flow dynamics</td>
<td>-1.29</td>
</tr>
<tr>
<td>4 07-Mar-19</td>
<td>13-Mar-19</td>
<td>B</td>
<td>USD-CAD</td>
<td>1.3430</td>
<td>1.3315</td>
<td>BOC stalls in its tightening bias</td>
<td>-0.85</td>
</tr>
<tr>
<td>5 23-Jan-19</td>
<td>21-Mar-19</td>
<td>B</td>
<td>GBP-AUD</td>
<td>1.8159</td>
<td>1.8440</td>
<td>Contrasting risk profiles in the near term</td>
<td>+1.35</td>
</tr>
<tr>
<td>6 14-Feb-19</td>
<td>25-Mar-19</td>
<td>B</td>
<td>USD-JPY</td>
<td>111.00</td>
<td>109.98</td>
<td>Dollar resilience, revival in risk appetite levels</td>
<td>-0.61</td>
</tr>
</tbody>
</table>