

FX Ideas

5 March 2021

New Ideas and/or Updates

- The dynamics that we saw since the previous [FX Ideas](#) (26 Feb) – somewhat disorderly up-move in back-end UST yields and a resultant shake-out in risk sentiment – has persisted into this week. The (very) light wrist-slap that Powell gave to rising yields only served to embolden the bond bears. In this context, our **22 Feb tactical long USD-JPY idea** hit its target price at 107.47 for an implied gain of **+1.89%**. We chose not to extend the target price for this call in recognition of a potential retracement amid stretched technicals. The resultant USD bounce took out our **17 Feb tactical short USD-SGD idea** for an implied -0.70% loss.
- At this juncture, there is a temptation to chase the broad USD higher, especially as the DXY index closed above 91.50 on 4 Mar. Yet, the spectre of non-farm payrolls urges caution, especially amid the USD's stretched technicals and the large miss in ADP employment earlier in the week. Thus, we stir clear of taking sides on the USD for now.
- Instead, we note that OPEC+ has surprised by the market by raising its output target by much less than expected. Our commodity analyst remains bullish on oil (see [Daily Treasury Outlook](#), 5 Mar). A bullish oil outlook is being expressed through our **29 Jan structural short USD-CAD idea** (marked at +1.47%). We look to add to our CAD-positive bias with a **tactical short AUD-CAD** (5 Mar; entry: 0.9758; TP: 0.9550; SL: 0.9865). gyrations in the yield space has translated to softer US equities, and the AUD retains a strong correlation with equities amongst the cyclical. This would also allow us to stir clear of taking on further USD directional risk for now.

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EXISTING

No.	Inception	B/S	Currency Pair	Entry	Target	Stop	Rationale	P/L since entry (%)
Tactical								
1	05-Mar-21	S	AUD-CAD	0.9758	0.9550	0.9865	Crude complex supported on OPEC+ headlines; Soft US equities impinge on the AUD	+0.09
Structural								
1	29-Jan-21	S	USD-CAD	1.2854	1.2413	1.3059	Relative central bank dynamics, with BOC closer to pulling back support compared to the Fed	+1.47

RECENTLY CLOSED

No.	Inception	Exit	B/S	Currency Pair	Entry	Close	Rationale	P/L (%)
1	05-Feb-21	09-Feb-21	S	EUR-USD	1.1963	1.2082	Momentum in favour of USD; Potential for deeper liquidation in EUR longs and sketchy vaccination drive in Europe	-0.98
2	22-Feb-21	04-Mar-21	B	USD-JPY	105.45	107.47	Higher back-end UST yield environment; market sentiment still inherently risk-on	+1.89
3	17-Feb-21	05-Mar-21	S	USD-SGD	1.3289	1.3383	SGD NEER near recent lows, leaving downside for USD-SGD; Proxy for RMB appreciation	-0.70

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