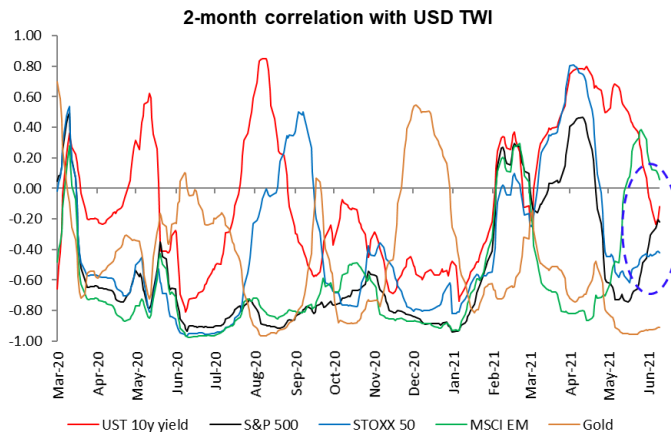


### New Ideas and/or Updates

- A cross-asset correlation analysis shows that near-term correlations between the broad USD and other asset classes (save gold), have started fade. This suggest a lack of a overarching theme at this juncture, with individual asset classes settling into a sideways drift or succumbing to secondary drivers.



- Within the FX space, another round of event risks come and went without shifting Fed tapering / rate hike expectations materially. The rather listless drift is likely to continue, at least until the June FOMC next week. The current bias is that internal tapering discussions will feature more prominently in this FOMC, but there will not be any explicit details released or decisions made. The question is whether it will be sufficient to give the sleepy FX space better directional cues.
- Perhaps the notable movement this week is the ~20 bps decline in the 10y UST yield. Both the real yields in the US, and nominal USD-G10 yield differentials have been materially compromised. While the decline in correlation between the broad USD and back-end yields suggest that there may not be an immediate risk to the USD, the environment has appeared to turn more negative on the greenback in the near term.
- Add new **structural short EUR-USD idea on 4 June** (entry: 1.2111; TP: 1.1805; SL:1.2280; marked at -0.65%). The underlying drivers of this call is longer term in nature. Notwithstanding any shift in ECB/Fed dynamics post-ECB this week, and the potential shifts post-FOMC next week, the pace of the ECB's balance sheet expansion relative to the Fed has accelerated this year. The impact of this relative balance sheet expansion typically flows through with a 3-month lag. In addition, we are also skeptical about EUR-positive arguments based on the talk of EZ macro improvement. Our EZ Macro Surprises Index suggests that it is often difficult for the EZ to sustain data outperformance, leaving sustained EUR gains based on that argument sounding rather hollow. On balance, we remain unconvinced of sustained EUR resilience at this juncture. Thus, even though the idea is underwater post-NFP, we are comfortable to hold this on a structural horizon.

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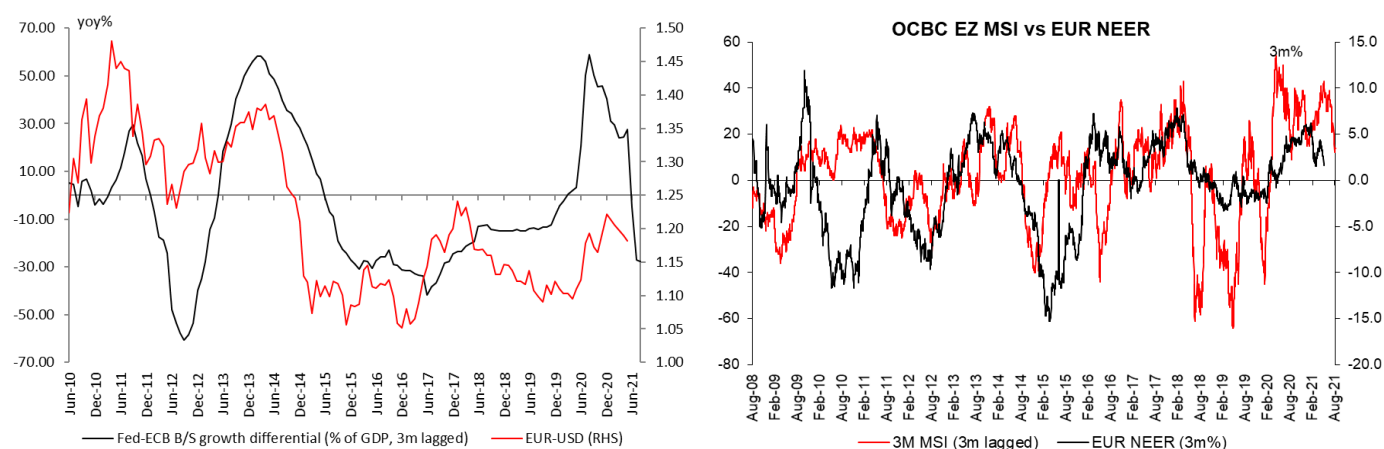
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## FX Ideas

11 June 2021



### EXISTING

No.	Inception	B/S	Currency Pair	Entry	Target	Stop	Rationale	P/L since entry (%)
<b>Tactical</b>								
1	28-Apr-21	B	AUD-JPY	84.354	87.576	82.747	JPY may be weighed down by renewed gains in back-end UST yields; creeping risk-on sentiment supports the AUD	+0.59
2	30-Apr-21	B	USD-JPY	108.87	110.98	107.78	UST-JGB yields looking to widen again in the USD's favour	+0.49
<b>Structural</b>								
1	02-Jun-21	S	AUD-NZD	1.0695	1.0425	1.0828	RBNZ jumps to the front of hawkish queue alongside BOC; RBA should remain relatively more dovish	-0.82
2	04-Jun-21	S	EUR-USD	1.2111	1.1805	1.2190	Regardless of near-term shifts in ECB/FED stance, the ECB's b/s expansion outpaces the Fed	-0.65

### RECENTLY CLOSED

No.	Inception	Exit	B/S	Currency Pair	Entry	Close	Rationale	P/L (%)
1	16-Apr-21	23-Apr-21	S	EUR-USD	1.1953	1.2081	Back-end UST yields bottoming; EGB-UST yield spread should compress	-0.52
2	23-Apr-21	30-Apr-21	S	AUD-CAD	0.9688	0.9457	BOC first to ease off monetary stimulus, relatively hawkish compared to the RBA	+2.44
3	11-Mar-21	21-May-21	S	EUR-CAD	1.5043	1.4756	BOC closer to tapering excessive monetary stimulus compared to the ECB	+2.09
4	20-May-21	01-Jun-21	B	USD-SGD	1.3305	1.3190	Pandemic situation weighs on the SGD; SGD NEER may revert to parity to +0.50% above parity range	-0.87

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