

FX Ideas

1 April 2021

New Ideas and/or Updates

- Since the last [FX Ideas](#) (25 Mar), the broad USD continued to gain ground against the EUR and JPY. The portfolio benefited from holding on to the **12 Mar tactical long USD-JPY** (marked at +1.93%) and **18 Mar tactical short EUR-USD** (marked at +2.14%). The **12 Mar tactical long USD-JPY** idea hit our target price of 110.52 on 31 March. With the 10y UST yields edging higher (and UST-JGB yield spreads still widening), we are comfortable in holding this idea, extending the **TP to 112.06** and **SL to 109.76**.
- The **11 Mar tactical short EUR-CNH** (marked at +0.67%) and **11 Mar structural short EUR-CAD** (marked at +1.94%) also have not done too badly. The spike in USD-CNH and slump in the oil complex did not materially impinge on these ideas, in part because of the underlying EUR weakness. We do not think that the RMB is on a secular weakening trend. It may be softer against the USD, but has held near the 97.00 vicinity on a basket basis. This leaves us comfortable in holding the 11 Mar tactical short EUR-CNH idea. We also expect the CAD to shake off its anaemic stance as we head into the April round of central bank decisions and the market refocuses on the Bank of Canada's lead in exiting excessive monetary stimulus. Stronger than expected GDP prints out of Canada also supports.
- Overall, we continue view the USD favourably as the underlying yield arguments remain intact. Nevertheless, the allure of profit-taking is also rising, and may be sparked by a round of key data misses. This leaves us unwilling to add more direct USD exposure within the G-10 space for now.
- Elsewhere, the SGD NEER breached the topside of its comfortable parity to +0.50% above parity range, which has largely persisted since April 2020, on 30 March. The NEER has stayed north of +0.80% above parity based on our estimates since then. This may potentially give rise to the NEER populating a higher plane between +0.50% and +1.00%. Regardless, the elevated SGD NEER should imply a limited downside room for the USD-SGD beyond 1.3430/40, so long as the broad USD holds up. We initiate a **tactical long USD-SGD idea (31 March; Entry: 1.3472; TP: 1.3679; SL: 1.3366)** to potentially capture any catch-up rises in the USD-SGD, especially if the SGD NEER were to fade back to its recent range.

Terence Wu

FX Strategist

+65 6530 4367

TerenceWu@ocbc.com**Treasury Research**

Tel: 6530-8384

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EXISTING

No.	Inception	B/S	Currency Pair	Entry	Target	Stop	Rationale	P/L since entry (%)
Tactical								
1	11-Mar-21	S	EUR-CNH	7.7510	7.6093	7.8262	RMB complex staying supported on a basket basis despite USD-CNH sideways	+0.67
2	12-Mar-21	B	USD-JPY	108.59	112.06	109.76	Divergent stance between Fed and BOJ on rising back-end yields should keep UST-JGB differentials wide	+1.93%
3	18-Mar-21	S	EUR-USD	1.1967	1.1680	1.2111	Underlying Fed-ECB divergence in stance unchanged post-FOMC; fade EUR-USD bounce	+2.14%
4	31-Mar-21	B	USD-SGD	1.3472	1.3679	1.3366	USD-SGD response to USD strength has been lagging; SGD NEER elevated	-0.01
Structural								
1	11-Mar-21	S	EUR-CAD	1.5043	1.4513	1.5306	BOC closer to tapering excessive monetary stimulus compared to the ECB	+1.94

RECENTLY CLOSED

No.	Inception	Exit	B/S	Currency Pair	Entry	Close	Rationale	P/L (%)
1	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
2	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
3	29-Jan-21	11-Mar-21	S	USD-CAD	1.2854	1.2611	Relative central bank dynamics, with BOC closer to pulling back support compared to the Fed	+1.91
4	05-Mar-21	24-Mar-21	S	AUD-CAD	0.9758	0.9550	Crude complex supported on OPEC+ headlines; Soft US equities impinge on the AUD	+2.19

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China

Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Thailand, Korea &

Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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