

FX Ideas

8 April 2021

New Ideas and/or Updates

- The broad USD, together with back-end UST yields, eased lower since the previous [FX Ideas](#) (01 Apr). This pull-back is not entirely unexpected as the potential for profit-taking on the USD had been highlighted. Nevertheless, our response to the price action could have been faster.
- The portfolio took a hit, with the **12 Mar tactical long USD-JPY idea** hitting our profit stop at 109.76 on 06 Mar for an implied +1.10% gain. The **18 Mar tactical short EUR-USD idea** was also closed on 07 Mar for an implied +0.85% gain. We remain net short-EUR with the **11 Mar tactical short EUR-CNH** (marked at -0.26%) and **11 Mar structural short EUR-CAD** (marked at +0.54%).
- Elsewhere, the SGD NEER remains very elevated near the +1.00% above parity range. Couple with the soggy USD, the USD-SGD turned heavier than expected. Nevertheless, the pair found firm support at 1.3380/00. The elevated SGD NEER likely reflects the expectation for the MAS to shift less-dovish in its upcoming MPS (see FX Viewpoint:). Any disappointment should see the SGD NEER ease lower (and the USD-SGD mechanically higher). In any case, we think the scope for a higher SGD NEER is very limited at this stage, thereby limiting USD-SGD downside – unless we see a deeper USD correction. We hold on to the **31 Mar tactical long USD-SGD idea** for now (marked at -0.51%).
- Beyond the immediate term, we retain our underlying pro-USD stance. Back-end UST yields may be near a bottom for now, with the 10y near the 1.60% mark. This decline in yields have yet to shift our house view on the upward trajectory on the yield front. This still governs the USD view for now. We also do not see a broader entrenchment of risk-on sentiment despite US equities marking new records. On net, given that the USD soggyiness may not yet run its course, we stay away from adding new positions for now.

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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	-0.26
2	31-Mar-21	B	USD-SGD	1.3472	1.3679	1.3366	USD-SGD response to USD strength has been lagging; SGD NEER elevated	-0.51
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	+0.54

RECENTLY CLOSED

No.	Inception	Exit	B/S	Currency Pair	Entry	Close	Rationale	P/L (%)
1	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
2	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
3	12-Mar-21	06-Apr-21	B	USD-JPY	108.59	109.76	Divergent stance between Fed and BOJ on rising back-end yields should keep UST-JGB differentials wide	+1.10
4	18-Mar-21	07-Apr-21	S	EUR-USD	1.1967	1.1871	Underlying Fed-ECB divergence in stance unchanged post-FOMC; fade EUR-USD bounce	+0.85

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