ANZ Research

FX Monthly Outlook

6 December 2018

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2019 Preview Edition

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2019: More thematic instability

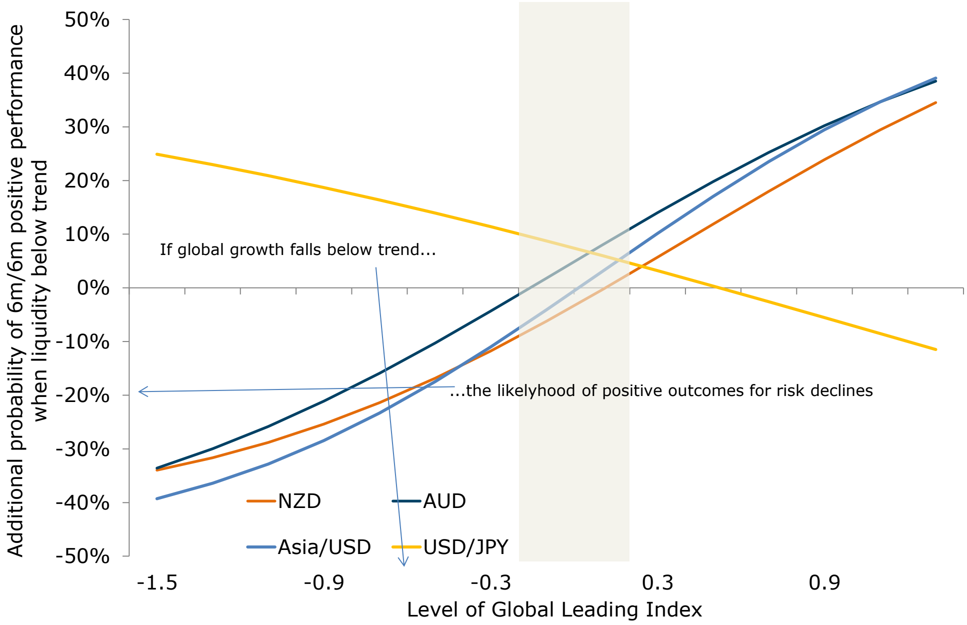
Overview and strategy: 2018 has been a tumultuous year. The market has struggled to hold to any one theme. We have traded a weak USD via the twin deficit thesis, a strong USD on fears of the Fed ratcheting up rates. We have had a blow off top in emerging market assets, as co-ordinated global growth and decent liquidity provided a strong tailwind. And despite this we have ended the year with large EM under-performance and one of the largest portfolio outflows in the era of quantitative easing. Amidst all of this we have seen oil rise and fall, Brexit remain uncertain and Italy test the bounds of European unity. With geopolitics also now playing a more significant role in determining price action, markets have also become more binary, and less predictable.

2019 looks like it has the potential to make 2018 look like it was straight forward – the global growth trend will slow, policy inertia and tighter credit will intensify the weakness in liquidity, and geopolitics will remain at the forefront. This will make for an inherently volatile and thematically unstable environment.

Adding into the mix the fact that we think that it will be a year where overshoots from fair value, rather than changes in individual currencies fundamentals, drive performance, and that we think these overshoots will mark the peak in the broader USD trend and we have a recipe for significant uncertainty.

Themes: Within this we maintain our view that the AUD and NZD will underperform, that the JPY is set for strength. However, we become more neutral on the fate of USD/Asia, outflows have already been significant, and valuation is nearing historically attractive levels. The EUR and GBP can continue to underperform in this environment.

Weaker growth will raise the likelihood of poor risk asset performance



Source: Bloomberg, ANZ Research

FX forecasts and open trade recommendations

	Current	Forecasts							Forwards		
	6 Dec 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	3-mths	6-mths	12-mths
EUR/USD	1.13	1.12	1.10	1.08	1.10	1.15	1.20	1.25	1.14	1.15	1.17
GBP/USD	1.27	1.26	1.22	1.20	1.23	1.25	1.30	1.32	1.28	1.28	1.30
USD/JPY	113	113	110	108	102	100	96	95	112	111	109
EUR/GBP	0.89	0.89	0.90	0.90	0.89	0.92	0.92	0.95	0.90	0.90	0.90
EUR/CHF	1.13	1.14	1.12	1.11	1.12	1.14	1.16	1.18	1.13	1.13	1.13
USD/CHF	1.00	1.02	1.02	1.03	1.02	0.99	0.97	0.94	0.99	0.98	0.96
AUD/USD	0.73	0.70	0.68	0.67	0.70	0.70	0.70	0.70	0.73	0.73	0.73
NZD/USD	0.69	0.68	0.64	0.62	0.61	0.61	0.61	0.62	0.69	0.69	0.69
AUD/NZD	1.05	1.03	1.06	1.08	1.15	1.15	1.15	1.13	1.05	1.05	1.05
USD/CNY	6.86	6.90	6.85	6.85	6.80	6.75	6.70	6.65	6.95	6.95	6.93
USD/CNH	6.87	6.90	6.85	6.85	6.80	6.75	6.70	6.65	6.88	6.89	6.90
USD/IDR	14302	14250	14300	14200	14100	14000	13900	13800	14487	14682	15057
USD/INR	70.47	71.00	71.20	70.50	70.00	69.80	69.50	69.30	70.3	71.0	72.4
USD/KRW	1115	1140	1135	1130	1125	1120	1115	1110	1112	1107	1097
USD/MYR	4.16	4.21	4.23	4.25	4.23	4.20	4.15	4.10	4.16	4.16	4.16
USD/PHP	52.44	52.80	53.00	52.80	52.40	52.00	51.60	51.20	52.8	53.2	53.8
USD/SGD	1.368	1.360	1.350	1.340	1.330	1.325	1.320	1.315	1.365	1.362	1.354
USD/THB	32.79	32.90	32.80	32.50	32.30	32.00	31.80	31.50	32.7	32.6	32.4
USD/TWD	30.80	30.90	30.80	30.70	30.55	30.40	30.25	30.10	30.6	30.4	29.9
USD/VND	23320	23400	23500	23600	23650	23700	23750	23800	23479	23604	23879
USD/HKD	7.81	7.84	7.82	7.82	7.80	7.80	7.79	7.79	7.80	7.78	7.77

Open FX trade recommendations

Entry Date	Trade	Entry	Target	S/L	Current	Profit/Loss inc. carry
11/10/2018	Buy AUD/USD 6m seagull at 0.6950/0.6740 put spread and sell a 0.7450 call	AUD1810	AUD38965	-	-AUD14483	-AUD16293
	(Spot reference)	0.7055			0.7373	
16/11/2018	Sell NZD/CAD	0.8990	0.8500	0.9250	0.9169	-2.0%

2019: More thematic instability

2018 has been a tumultuous year. The market has struggled to hold to any one theme. We have traded a weak USD via the twin deficit thesis, a strong USD on fears of the Fed ratcheting up rates. We have had a blow off top in emerging market assets, as co-ordinated global growth and decent liquidity provided a strong tailwind. And despite this we have ended the year with large EM under-performance and one of the largest portfolio outflows in the era of quantitative easing. Amidst all of this we have seen oil rise and fall, Brexit remain uncertain and Italy test the bounds of European unity. With geopolitics now playing a more significant role in determining price action, markets have also become more binary and less predictable.

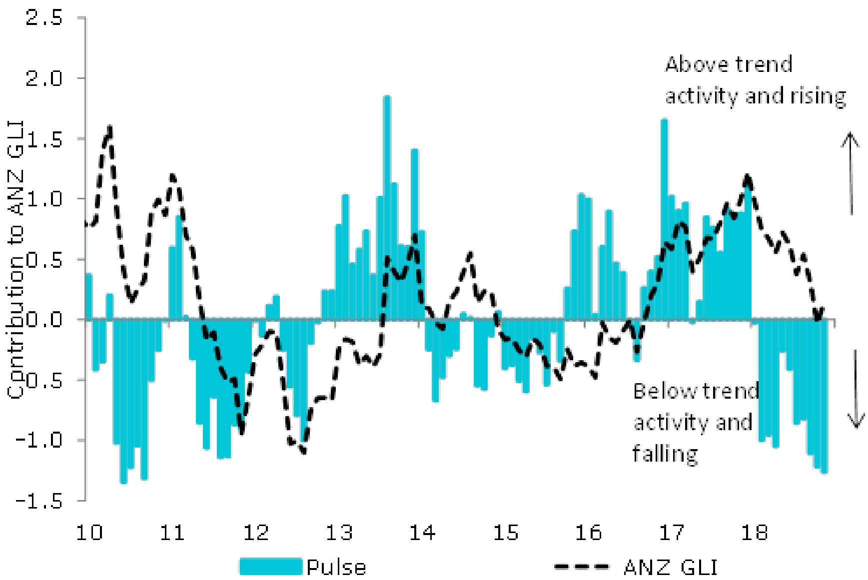
Unfortunately, when we look to 2019, the landscape looks relatively similar. Over the past couple of years we have found that when markets are trading in this fashion it is as important to understand the broader macro environment, as it is to understand the details of the theme that is dominating the markets attention. This is because the market’s reaction function to news is a derivative of the broader macro environment into which it lands. As such, we will focus on the macro – on the growth and liquidity preconditions – and on markets alignment with these broader factors once again. As such, rather than trying to predict what new surprise sits around the corner in 2019 we will weigh heavily on our top down framework as the masthead of our strategic recommendations, focussing on the ability of the market to absorb new information. If there is one thing we do know for sure – it is that much of what actually drove the day to day price action in 2018 was not on the radar at the end of 2017, but understanding the broader environment meant that, when news did hit the screens, the market’s reaction function was more predictable.

A slower growth pulse…

Growth is slowing, and we do not see that reversing in 2019. The slowing, however, will likely be broader and to impact on the US as well as the other major regions. This will change dynamics, relative to 2018 in two ways:

- As the US economy goes off the boil, it will be harder to trade currencies on growth differentials, as most economies are moving in the same direction. This may see the end of US exceptionalism and significant US asset out-performance.
- Credit markets will start to garner more attention and have a greater impact on broader risk appetite.

Figure 1. Our growth leading indicator will struggle to remain above trend



Source: Bloomberg, ANZ Research

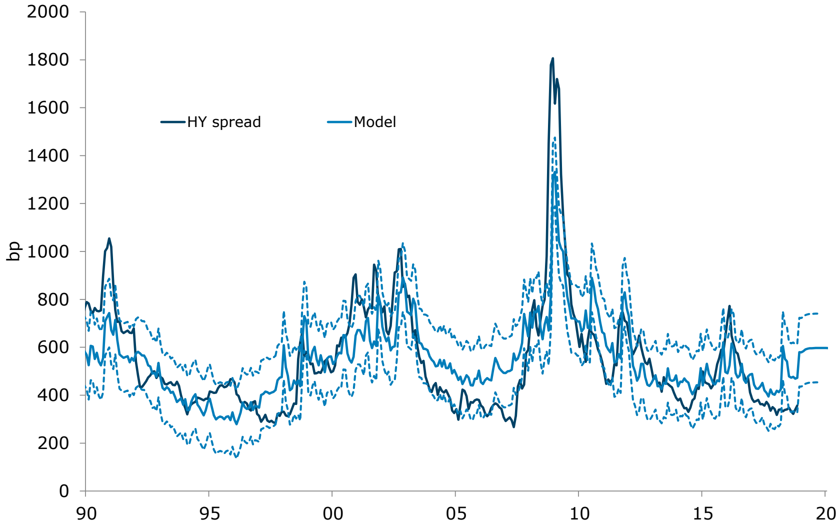
This is not to say that we expect 2019 will be devoid of growth. China's easing to date has generated a rise in the credit impulse, which should help stabilise growth. And, in Europe, the potential for further TLTRO's and additional fiscal stimulus could help at the margins. However, with the US economy slowing in line with weaker interest sensitive sectors and weaker fiscal impulse, a stabilisation in either China or Europe is unlikely to generate enough growth to hold global momentum above trend.

…will accentuate the tighter liquidity environment…

As such, the US growth trajectory is a key ingredient for the FX market in 2019. The slowing growth pulse coupled with the advanced stage of the corporate leverage cycle will mean that the expansion of private sector funding (that offset central bank liquidity tightening in late 2018) has passed.

Our model of high yield credit demonstrates this effect. Even as a strong economic tailwind continues to push the default rate lower through 2019, the fair value of spreads moves higher, alongside slower official liquidity and easing growth.

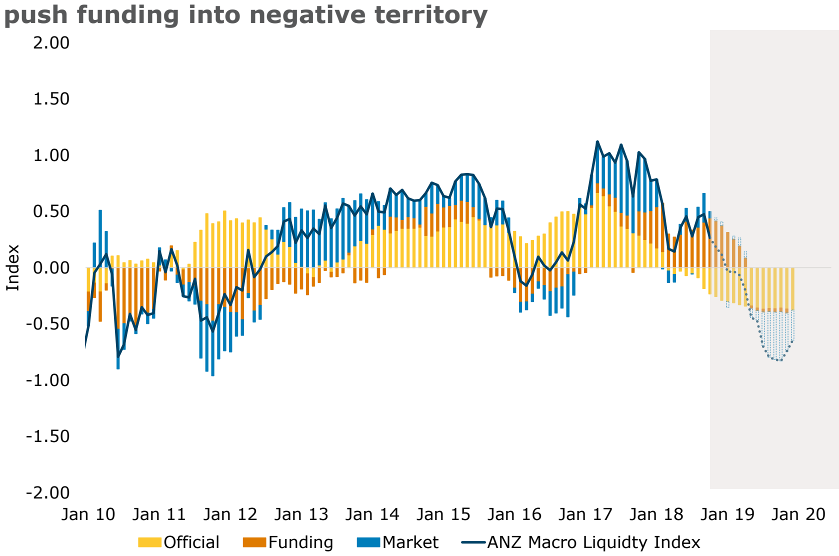
Figure 2. Spreads are set to widen as growth slows



Source: Bloomberg, ANZ Research
Note: The model includes Official Liquidity, VIX and a measure of global growth

While this suggests that spreads will only head back to the levels that they were at in 2016, within the context of declining liquidity from the central banks, it will be significant. As Figure 3 shows, when spreads move back to 2015-16 levels, liquidity tips negative in Q2 2019. And, that is despite the very conservative assumption that the slowing global economy does not cause tighter lending standards.

Figure 3. Inertia in official liquidity will drive it negative, as wider spreads push funding into negative territory

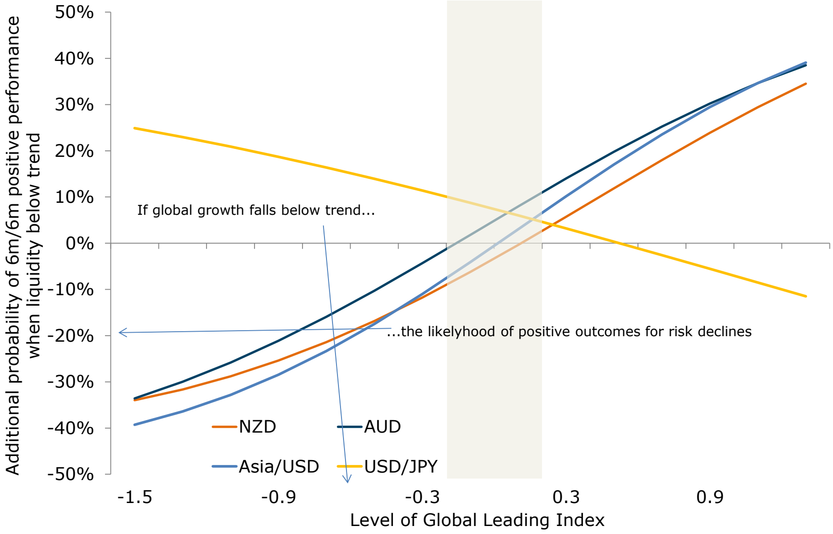


Source: Bloomberg, ANZ Research

…providing a significant negative bias to probability distributions

In a probabilistic, this means that 2019 is likely to be more difficult than 2018. Few instances exist of risk markets performing well when liquidity is negative and global growth is at or below trend. Indeed, in those circumstances the probability tilts towards a poor outcome for risk 70% of the time.

Figure 4. Weaker growth raises the likelihood of poor risk asset performance



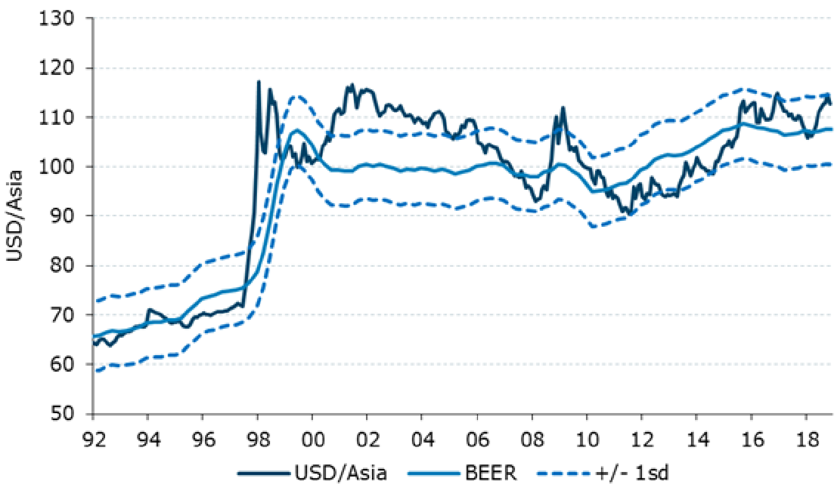
Source: Bloomberg, ANZ Research

The exceptions…

That said, broad-based negativity is dangerous. When something occurs 70% of the time, 30% of the time it does not. And it looks like some currencies have a chance of being the exceptions rather than the rule in 2019. For Asia, two factors stand out:

- Asia's recent outflow was the largest since 2008 and, when compared to the decline that we anticipate in liquidity, a substantial amount of bad news seems already in the price.
- Valuation looks to be relatively compelling. Carry currencies like the IDR and the INR, which confronted domestic challenges during the deterioration in global appetite for emerging markets, are trading around 1 standard deviation cheap to fair value. At that level, more often than not, these currencies have rebounded.

Figure 5. More often than not, this has been a good value level to look at Asia



Source: Bloomberg, ANZ Research

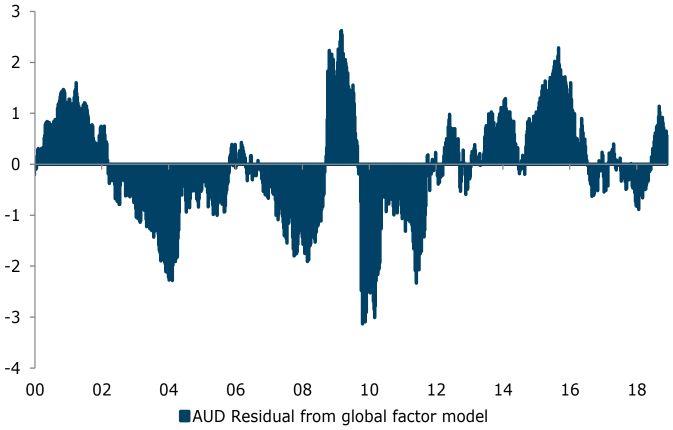
This leads us to a couple of conclusions. Within EMs, we see opportunities for relative value trades where currencies that have fallen only modestly under the impact of slowing global growth could underperform against those that have substantially cheapened. For example, the KRW could be set for some underperformance.

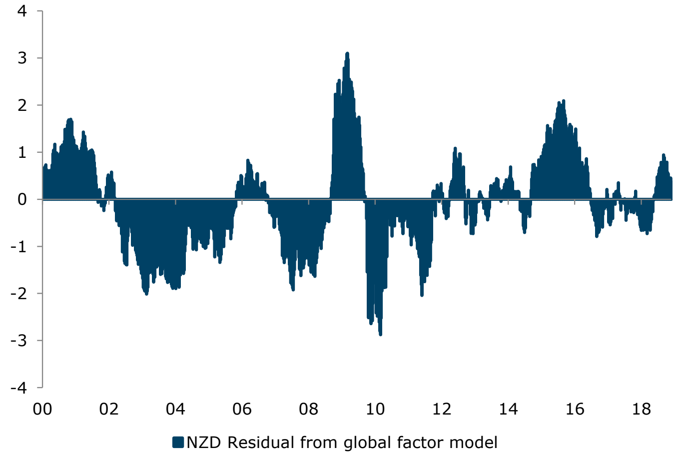
…and the rule

Importantly, we do not think that the more nuanced environment for emerging Asia will necessarily lead to a similar result for developed market risk-sensitive currencies In particular the AUD and NZD are, on our measures, both still somewhat expensive. It would be almost unprecedented for the weakness in either to stall at fair, rather than end with an overshoot similar to that already seen in emerging markets.

Additionally, unlike Asia, these currencies have few obvious offsets. There have not been substantial capital outflows from either, and on the domestic front neither has a compelling strength story. Concerning, our economists view the risks to the benign outcome in both economies as tilted to the downside, and this is not well accounted for in the price. Our domestic residuals for both are very positive, highlighting that they have idiosyncratically positive stories in the price, relative to the common drivers of the FX market.

Figure 6. Both the AUD and NZD have idiosyncratic positivity priced in, this adds downside risk





Source: Bloomberg, ANZ Research

Similarly, the JPY's probabilities are tilted to it behaving like a safe-haven currency. The peak in US growth and yields, together with the tightening in liquidity and compelling valuation, all suggest that the JPY should have a big year where the range is broken and strength prevails.

Conclusion

Overall, 2019 looks like it has the potential to make 2018 look like it was straight forward. The global growth trend will slow, policy inertia and tighter credit will intensify the weakness in liquidity and geopolitics will remain at the forefront. This will make for an inherently volatile and thematically unstable environment. Adding into the mix the fact that we think that it will be a year where overshoots from fair value, rather than changes in individual currency fundamentals, will drive performance. We also think these overshoots will mark the peak in the broader USD trend. Altogether we have a recipe for significant uncertainty.

Within this we maintain our view that the AUD and NZD will underperform, and that the JPY is set for strength. However, we become more neutral on the fate of USD/Asia, outflows have already been significant, and valuation is nearing historically attractive levels. **DB**

Regional FX views: EUR and GBP

EUR/USD: EUR depreciation in tact

EUR backdrop deteriorates as Italy and growth weigh.

Modest EUR weakness helps offset tighter financial conditions.

Geopolitics of the rising EA trade surplus with US set to limit the euro's slide.

The downtrend in the euro is intact, and we have revised our forecasts for the single currency lower over coming months (1.08 in Q2). In spite of the anticipated, imminent end to QE, the risks are skewed towards more dovish forward guidance. For a variety of reasons, some of which are transient and some structural, euro area growth is losing momentum. Lead indicators for the manufacturing sector based on new orders, export orders and moderating world trade growth imply this deceleration can extend into Q2 2019.

Confidence in the likelihood of inflation recovering in line with the ECB's guidance is waning. Despite unprecedented monetary stimulus and close-to-record levels of capacity utilisation, core inflation remains sticky at 1.0%. The euro's exchange does have an important role to play in short to medium term inflation dynamics. Most simulations indicate a baseline finding that a 10% depreciation in the euro's effective exchange rate raises inflation by 1.0%. At a time when QE is ending and growth and inflation developments rate undershooting expectations, exchange rate weakness is welcome.

Nor do we expect that ending QE will spark a reversal of capital flows back into the euro area. The US remains the favoured destination for bond outflows and interest rate differentials there remain attractive to EA investors. Fed policy may be approaching neutrality, but the trend in policy rates remains up at a time when growth is above trend, momentum in the US labour market is unwavering and inflation is stable around target (2.0%).

Our global liquidity outlook also implies that demand for dollars will remain high in an environment where the funding cycle is peaking and the provision of central bank liquidity is diminishing, creating the potential for some short term overshoot in the USD. The G20 was successful in averting an imminent escalation in trade tensions. China's commitment to buy more US goods and the agreement to reform of the WTO are potentially welcome US trade developments although progress needs to be made by the end of February. For the EU, however, uncertainty over US auto tariffs and limited progress in EU-US trade talks remains a major source of uncertainty which can weigh on investor sentiment towards the euro.

GBP: Uncertainty driven weakness

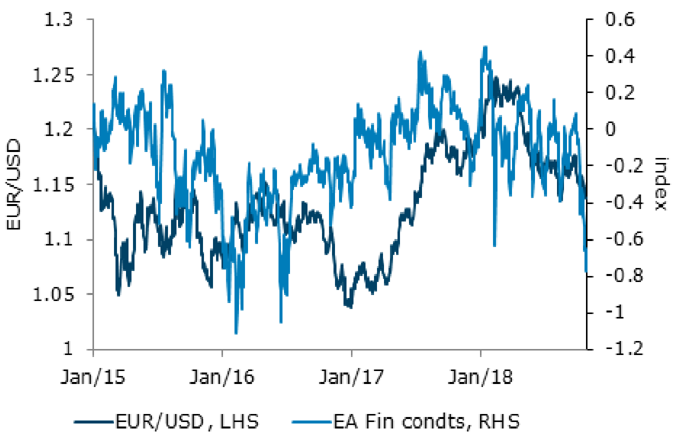
Northern Ireland agreement still difficult.

Business patience is running thin.

GBP vulnerable to further weakness as uncertainty persists.

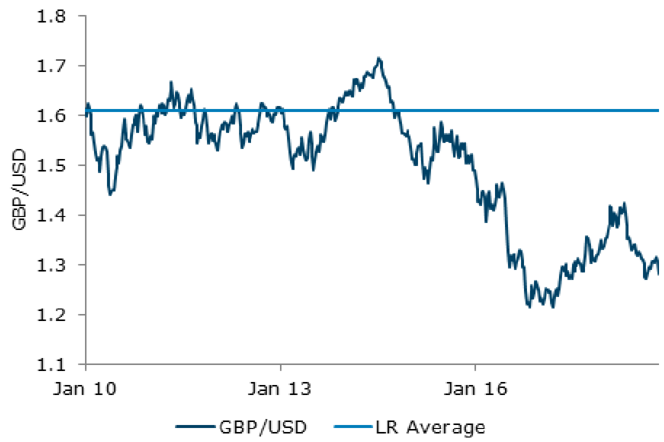
The Brexit debate is no closer to resolution, with opposition in parliament to the Withdrawal Agreement running very high. Opposition cross-party collaboration against and a reported 100 unsupportive Conservative MPs make the agreement's passage unlikely. If that is the outcome, the opposition will table a motion of no confidence in the government, aiming for a general election. The protocol is that within 21 days (1 January 2019) of the agreement being voted down, the government must make a statement on how it intends to proceed. **BM**

Figure 7. EA financial conditions tighten



Source: Bloomberg, ANZ Research

Figure 8. GBP Brexit discount grows with uncertainty



Source: Bloomberg, ANZ Research

Regional FX views: AUD and NZD

AUD: Relief

Rate differentials between AU and the US are not as extreme as before.

AUD likely to remain at the mercy of the global risk environment.

The AUD has squeezed higher over the past month. However, some have been surprised by its resilience against the USD in the context of equity market weakness and broad softness in commodities.

A number of factors can be attributed to the AUD's recent rally. Growth has remained strong domestically and risk sentiment has improved. Also, reduced expectations of rate hikes in the US have meant that rate differentials have narrowed. These factors, combined with a market that was extremely short the AUD, has led to a positioning squeeze.

This environment of the risk rebound in the short term is likely to persist, while US growth continues to show signs of deterioration, trade tension pauses and the tone from the Fed remains more cautious.

However, on the medium term we remain bearish on the currency. While the AUD is trading on the cheap side of fair, there is still scope for further overshoot – indeed that would be quite normal. On the domestic front, housing is still a concern and inflation and wages broadly continue to be forecasts rather than realities. Global dynamics remain in the driver's seat, and although there has been some respite in risk sentiment of late, risks have not disappeared. For trade tension, the can has only been kicked down the road. **NH**

NZD: Unwind

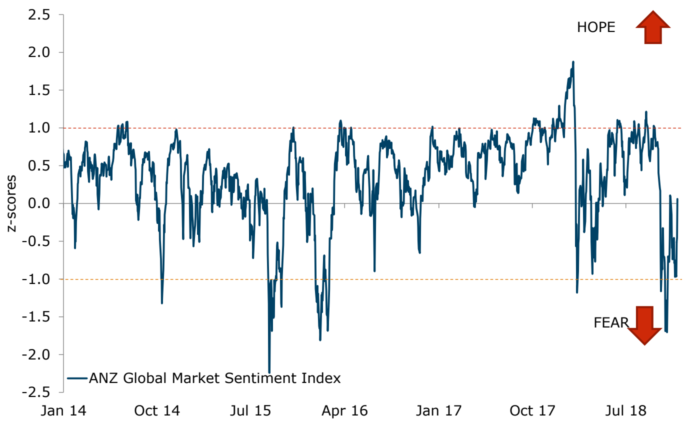
Our medium-term bias is negative, but the relief in global risk sentiment means that the NZD will benefit into year end.

Prior to November, bearish expectations regarding the outlook for domestic growth dominated the economic narrative in New Zealand. Weak business confidence, together with a dovish shift under new RBNZ leadership, saw the market seriously contemplate the idea of RBNZ rate cuts.

However, last month we warned that a counter trend bounce in the NZD was a real risk. This has occurred. A run of surprising, solid domestic data, which led to a capitulation of the RBNZ rate cut view, has meant that the NZD has pared back most of the losses experienced this year. As a result, the RBNZ has now shifted to being more balanced in its forward guidance. And adding to the move has been a broad FX positioning squeeze.

Global forces have dominated moves this year, especially for risk currencies. The thawing in China-US trade tension means that in the short term the NZD, like the AUD, will continue to bounce into year end. As such, we are cautiously positive on NZD over the next month. However, we are nimble as our medium term bias is still bearish and the risk of change on the geopolitical front cannot be discounted. **NH**

Figure 9. Short term risk appetite has room to move



Source: Bloomberg, ANZ Research, Thomson Reuters Datastream

Figure 10. NZ domestic data has surprised the market

Source: Bloomberg, ANZ Research

Regional FX views: Asia

RMB: Near-term support from trade truce?

The US-China trade truce will cap USD/CNY in the near term.

Without a permanent resolution, pressure will return.

We believe controls over capital outflows, intervention and tools to tighten CNH liquidity will cap USD/CNY below 7.

The US-China trade ceasefire will take pressure off the USD/CNY in the near term. With the hold-off, the front-loading of exports in recent months could extend into early 2019, providing support to CNY. However, the window for a permanent resolution is small and intelligent property rights and other trade practices may prove to be too hard to agree on. We also expect further cuts in banks' reserve requirement ratio, which will have a dampening effect on CNY.

There is no certainty that the 7 mark will not be breached. But we believe China's tight controls in the capital account have come a long way in averting capital outflows, as seen in the sell-off in CNY in October. This, coupled with modest intervention and the introduction of CNH bills to curb offshore liquidity, will help cap USD/CNY. We expect the RMB index, a broad measure of the strength of the CNY, to continue to hover in the 92–93 range as seen in H2 2018.

In late 2019, we expect the USD to peak as the Fed's hiking cycle comes to an end and the ECB gets closer to normalising policy. This will provide a more sustainable relief to the CNY. We expect USD/CNY to trade at 6.85 in mid-2019 before ending the year at 6.75. **IC**

IDR: Effort to curb external deficit helps restore confidence

Bank Indonesia's aggressive monetary tightening has helped restore investor confidence.

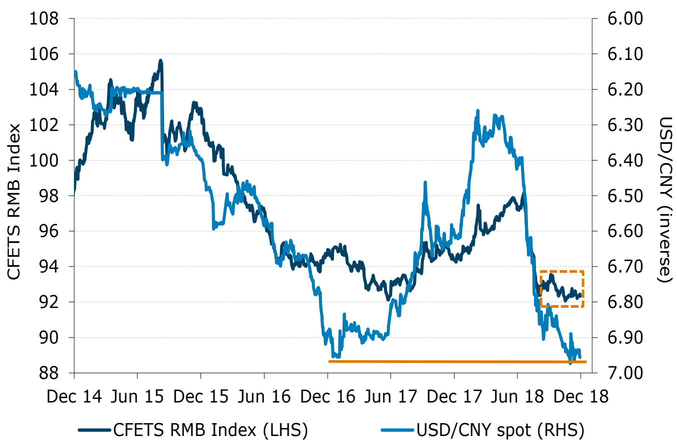
But until the external deficit starts to improve, we expect USD/IDR to remain supported before a gradual appreciation trend sets in.

Even though the IDR started to recover in early November, Bank Indonesia delivered a sixth rate hike at the November policy meeting, to take the 7-day reverse repo rate to 6.00%. The central bank has hiked its policy rate by 175bps, the most aggressive tightening in Asia. We expect it to hike another quarter-point by mid-2019.

The central bank's commitment to reducing the current account deficit and improving the attractiveness of domestic assets has helped instil investor confidence. Following foreign purchases of USD0.9bn of Indonesian government bonds in October, foreigners bought another USD2.4bn of bonds in November, the second biggest inflow to-date this year. The country also saw foreign flows of USD0.6bn into the stock market in November, the highest since May 2017. Indeed, total portfolio inflows of USD3.0bn in November were the highest since April 2017.

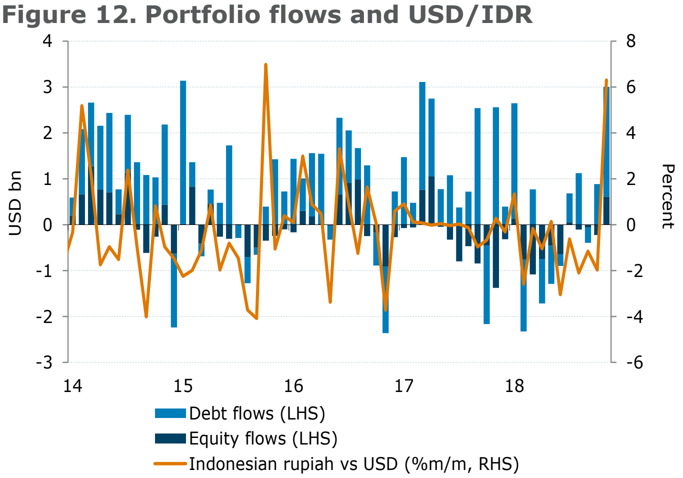
We expect portfolio flows to remain volatile, given external uncertainty (US-China trade and US monetary policy) and the impact of aggressive monetary tightening domestically. Investors may hold back ahead of the presidential elections in April 2019. Also, there have yet to be signs that the external deficit is narrowing, with export growth slowing and import demand very strong. **IC**

Figure 11. USD/CNY and RMB Index



Source: CFETS, Bloomberg, ANZ Research

Figure 12. Portfolio flows and USD/IDR



Source: Bloomberg, ANZ Research

Regional FX views: Asia

INR: Reversing fortunes

We see the INR partially reversing direction in 2019.

The oil price drop has provided necessary support to the rupee. Inflation also remains fairly contained and will likely see the RBI stand firm on rates for longer.

The Indian rupee was the worst performing currency in the region this year, falling 9% ytd, but that started to turn in early October, coinciding with a decline in crude oil prices. Falling commodity prices will be positive for the current account deficit, which worsened to 2.4% of GDP in Q1 FY19 and was set to drop further until the recent pull back. Inflation has also moved within the RBI's target of 4% in the last three prints. So we don't expect the RBI to hike rates in the near-term, which will likely add to the rupee's rally.

We revise our USD/INR forecasts lower to end 2018 at 71.0, from 74.0 previously. However, we see downside risks in the run-up to the elections in May 2019, as markets price in a tougher contest than in 2014. Following this, we expect the pair to break into the 70.0 support level to end at 69.8 next year on robust growth, controlled inflation and manageable external risks. Our forecasts rest on the base case of only two US Fed rate hikes from here and no further escalation in global trade tension. **RS**

PHP: Small steps to recovery

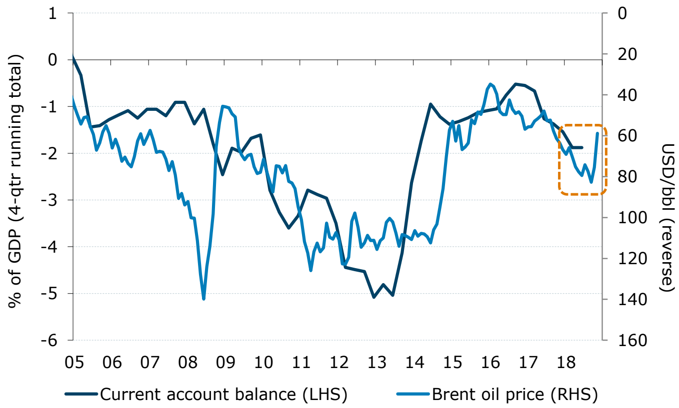
The PHP recovered recently after a poor 2018.

We see appreciation being more pronounced in H2 2019 alongside cooling inflation. Till then, we see external risks weighing the peso down.

In line with other currencies in the region beset with current account deficits, the Philippine peso has recovered in recent weeks. It rose 3.3% quarter-to-date, correcting its year-to-date loss to 4.6%. This coincides with falling crude oil prices. The Philippines is a big fuel importer. As of September, mineral fuels made up 12% of merchandise imports, of which 30% was petroleum crude). However, the risks from worsening external deficit persist, led by higher capital goods imports. We therefore see the external balance remaining on the weaker side in the near term, fuelling weakness in the current account. While improving investor appetite for EM Asian assets could see renewed inflows in the capital account, we don't believe it will be enough to offset the roughly USD3bn monthly trade deficit.

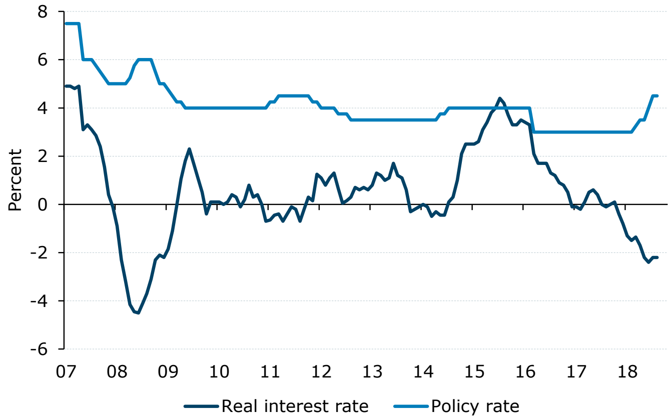
Further near-term weakness for the PHP to the 53.0 level is thus likely. After that, we factor in a gradual appreciation trend as we expect: 1) inflation to cool off and improve the real interest rate profile; 2) growth to remain supportive around the current levels; and 3) the Fed to be less aggressive in its interest rate hike trajectory than in 2018. We forecast USD/PHP to end 2019 at 52.0. **RS**

Figure 13. Falling oil prices to restrict deterioration in the current account



Note: Current account data is on a 4-qtr rolling basis
Source: Haver, ANZ Research

Figure 14. Real interest rate profile worsened on higher inflation, despite rate hikes



Source: Bloomberg, ANZ Research

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Asia Macro Strategy Weekly: in need of a bigger monetary policy toolkit	19 Oct 2018
Asia Macro Strategy Weekly: Asia - who will remain standing?	12 Oct 2018
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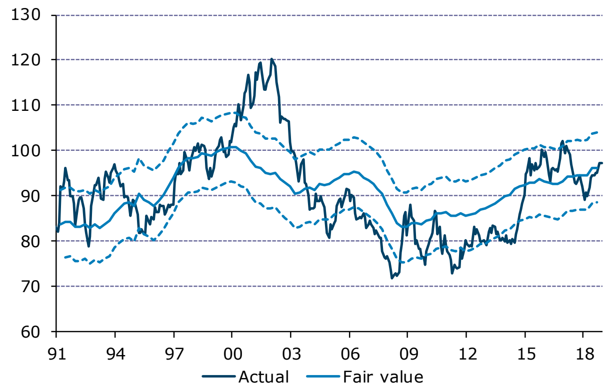
FX Monthly Outlook: most paths still point to a resilient USD	27 Sep 2018
Pacific Insight: not so keen on PNG kina, for now	21 Sep 2018

Long term relative BEER implied exchange rates

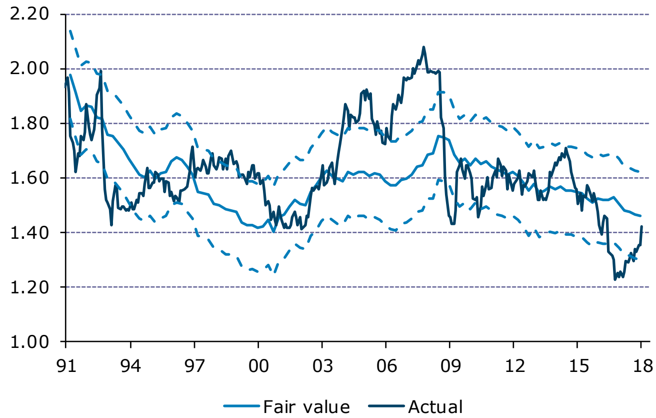
Presented below are our long-term estimates of bilateral exchange rates with the USD that would best reflect relative price differentials and maintain trade competitiveness across G10 and AXJ currencies.

DXY INDEX

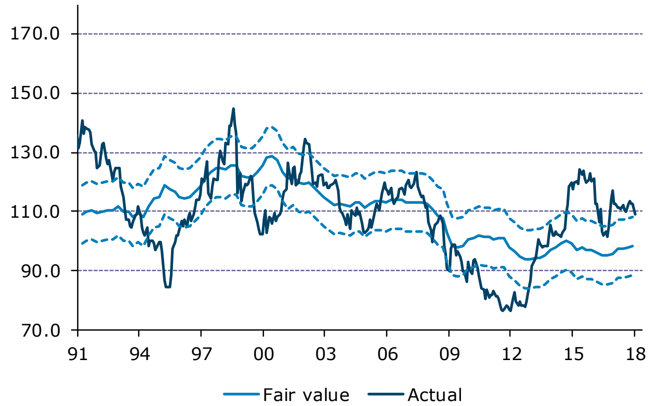


EUR/USD

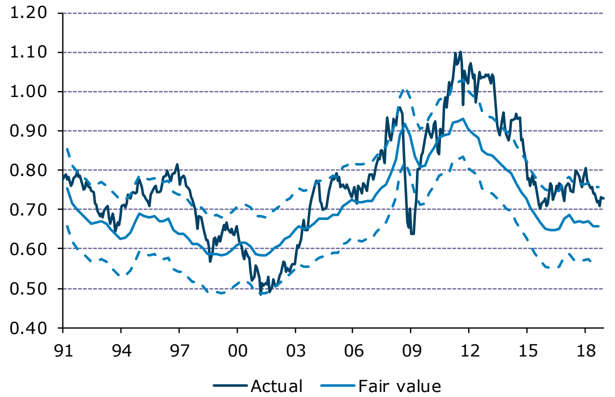
GBP/USD



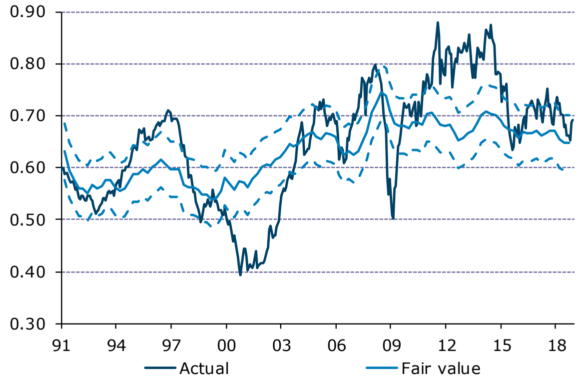
USD/JPY



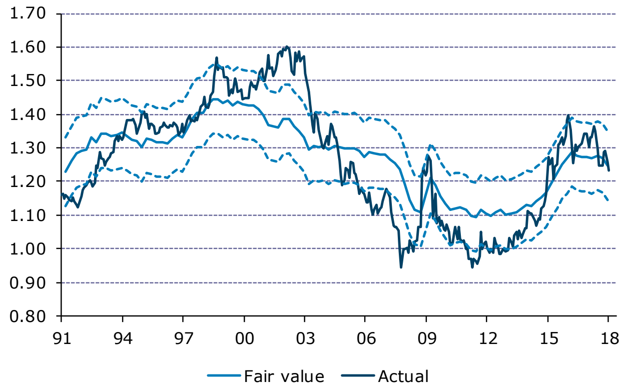
AUD/USD



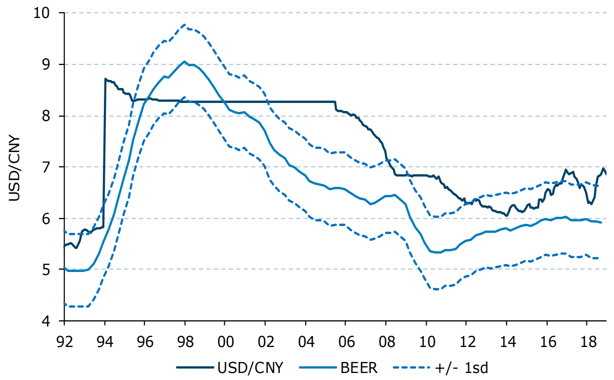
NZD/USD



USD/CAD

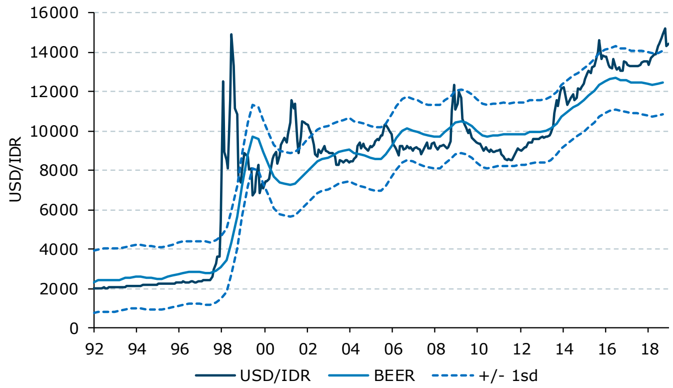


USD/CNY

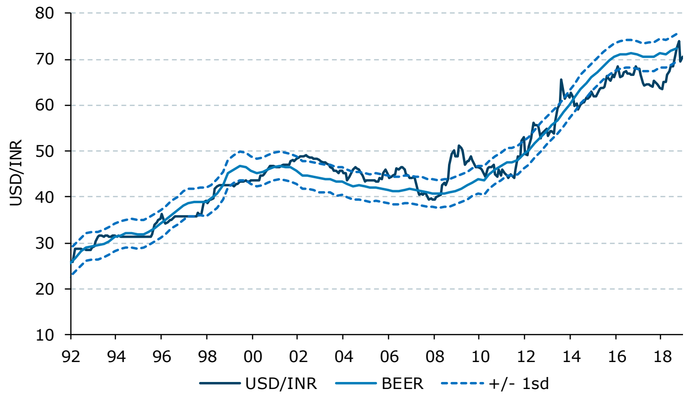


Long term relative BEER implied exchange rates

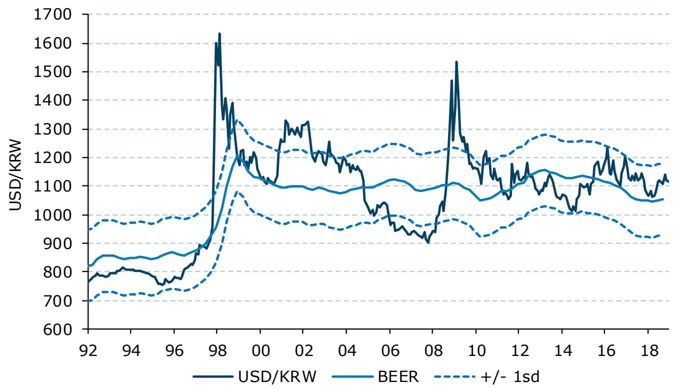
USD/IDR



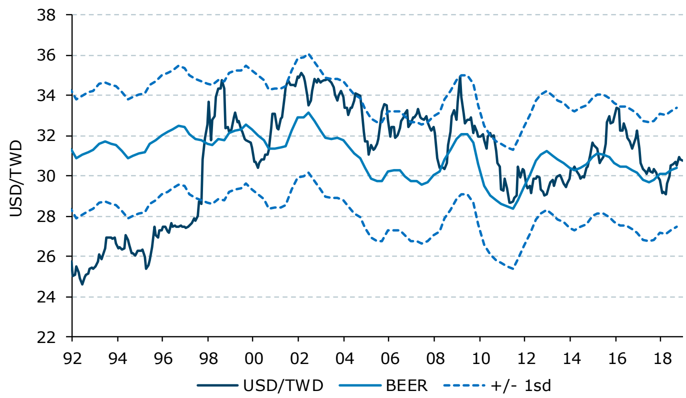
USD/INR



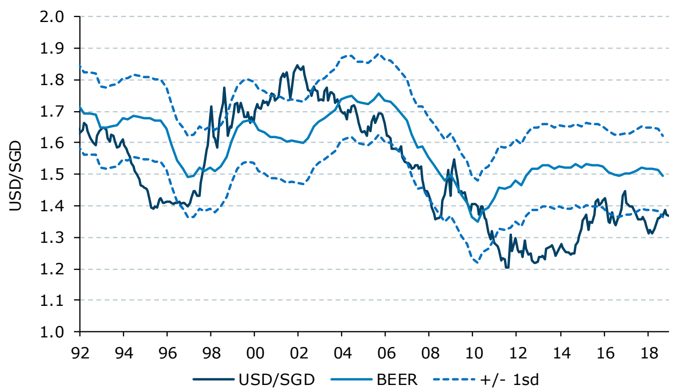
USD/KRW



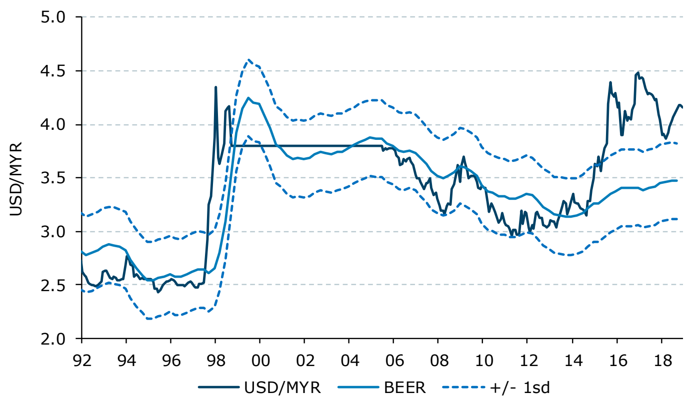
USD/TWD



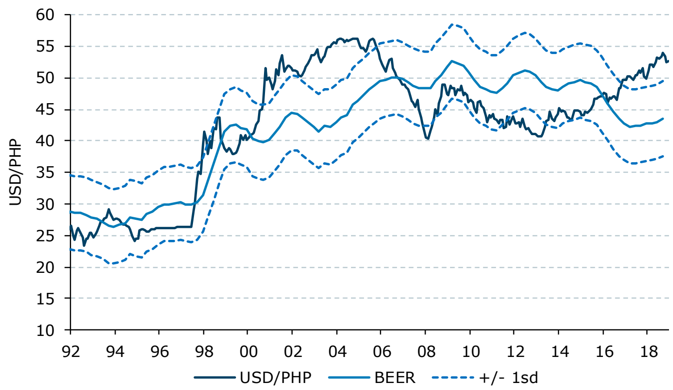
USD/SGD



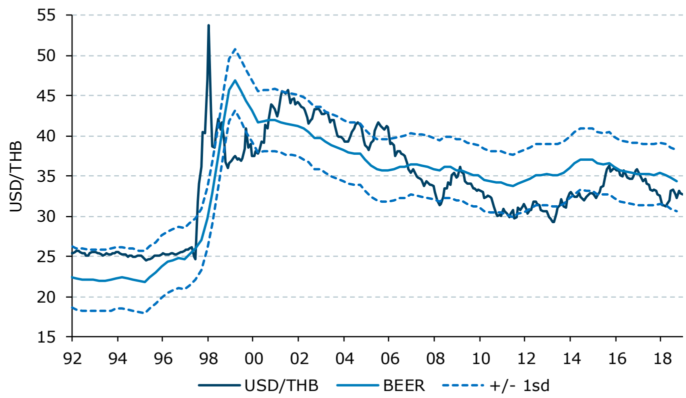
USD/MYR



USD/PHP



USD/THB



Source: Bloomberg, ANZ Research

Central bank policy rate forecasts

	Current	Forecasts						
	4 Dec 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
Policy rates								
G4								
US	2.25	2.50	2.50	2.75	2.75	2.75	2.75	2.75
Euro area	-0.40	-0.40	-0.40	-0.40	-0.40	-0.30	-0.20	-0.10
Japan	-0.10	-0.1 - +0.1	-0.1 - +0.1	-0.1 - +0.1	-0.1 - +0.1	-0.1 - +0.1	-0.1 - +0.1	-0.1 - +0.1
UK	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.25
Commodity								
Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Emerging Asia								
China[1]	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55
Hong Kong	2.50	2.75	2.75	3.00	3.00	3.00	3.00	3.00
India	6.50	6.50	6.50	6.50	6.50	6.50	6.75	7.00
Indonesia[2]	6.00	6.00	6.00	6.25	6.25	6.25	6.25	6.25
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.50	3.50
Philippines[3]	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
South Korea	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Taiwan	1.375	1.375	1.375	1.375	1.375	1.375	1.375	1.375
Thailand	1.50	1.75	1.75	2.00	2.00	2.00	2.00	2.00
Vietnam	6.25	6.25	6.75	6.75	6.75	6.75	6.75	6.75

1. Starting August 2016, we adopted a new approach to calling the PBoC's monetary policy by targeting the 7-day repo rate. Historical values are based on the PBoCs' 7-day reverse repo rate. Please refer to our note published 24 August 2016.

2. Indonesia announced a change to its monetary policy regime effective 19 August 2016, which saw it switch from targeting the BI Reference Rate to targeting the 7-day Reverse Repo.

3. The Philippines announced an Interest Rate Corridor Approach on 16 May 2016, introduced on 3 June 2016, with the Lending Rate at 3.50% as the ceiling rate, replacing the repo rate (RP) of 6.00%.

Source: Bloomberg, ANZ Research

Trade bank

Closed trade recommendations

Entry Date	Trade	Entry	Closed	Exit	Reason	Profit/loss incl. carry
3/08/2017	Buy 1m AUD/USD put strike at USD0.76/0.78 (Spot reference)	44 pips 0.7968	3/09/2017	0 pips	Mature	-44 pips
3/08/2017	Sell AUD/CNH	5.354	4/09/2017	5.200	Target hit	3.0%
17/08/2017	Sell 3m SGD/IDR forward (Spot reference)	9916 9801	8/09/2017	1000	S/L hit	-0.8%
25/07/2017	Sell 3m THB/INR forward (Spot reference)	1.943 1.924	21/09/2017	1.960	S/L hit	-0.9%
29/09/2017	Sell GBP/CNH	8.944	6/10/2017	8.715	Take profit	2.6%
6/11/2017	Buy AUD/USD	0.7650	17/11/2017	0.7585	Closed	-0.8%
1/11/2017	Sell EUR/NZD	1.6835	17/11/2017	1.7216	S/L hit	-2.2%
31/10/2017	Sell 3M EUR/SGD forward (Spot reference)	1.5915 1.5844	27/11/2017	1.612	S/L hit	-1.3%
17/11/2017	Buy 3M AUD/KRW forward/NDF (Spot reference)	830 830	29/11/2017	820	S/L hit	-1.2%
9/11/2017	1M GBP/USD ATM Straddle	1.65%	9/12/2017	1.67%	Mature	--
7/12/2017	Buy 3m THB/PHP forward/NDF (Spot reference)	1.5712 1.5556	22/12/2017	1.5400	S/L hit	-2.0%
7/12/2017	Sell 3m EUR/KRW forward/NDF (Spot reference)	1295 1288	24/01/2018	1320	S/L hit	-1.9%
30/11/2017	Buy 3m AUD/SGD (Spot reference)	1.0208 1.0220	26/01/2018	1.0600	Target hit	3.8%
7/12/2017	Sell 3m JPY/CNH forward (Spot reference)	5.9493 5.8812	7/03/2018	5.985	Mature	-0.6%
7/12/2017	Buy 3m SGD/INR forward/NDF (Spot reference)	48.38 47.85	7/03/2018	49.42	Mature	2.1%

Entry Date	Trade	Entry	Closed	Exit	Reason	Profit/loss incl. carry
7/02/2018	Buy AUD/NZD	1.0768	27/03/2018	1.0600	S/L hit	-1.6%
9/03/2018	Buy 3*12m USD/HKD forward	-182 pips	12/04/2018	-330 pips	S/L hit	-148 pips
30/01/2018	Sell 3m PHP/IDR NDF (Spot reference)	261.00 260.67	30/04/2018	267.28	Mature	-2.3%
30/01/2018	Buy 3m TWD/KRW NDF (Spot reference)	36.89 36.66	30/04/2018	36.29	Mature	-1.6%
2/02/2018	Buy 3m USD/AUD 0.80/0.78 put spread, sell a 3m AUD/USD 0.8250 call (Spot reference)	AUD2,400 0.7931	2/05/2018	AUD26,687	Mature	AUD24,287
11/05/2018	Buy AUD/SGD	1.0037	8/06/2018	1.0159	Closed	1.2%
22/05/2018	Sell 3m USD/THB forward (Spot reference)	32.02 32.11	19/06/2018	32.45	S/L hit	-1.3%
29/05/2018	Sell 3m USD/IDR NDF (Spot reference)	14179 14006	19/06/2018	14350	S/L hit	-1.2%
24/04/2018	Buy 3m SGD/INR forward/NDF (Spot reference)	51.00 50.12	25/06/2018	50.20	S/L hit	-1.6%
12/04/2018	Buy AUD/NZD	1.0530	27/06/2018	1.0850	Closed	3.0%
7/02/2018	Buy SGD/CNH	4.7520	2/07/2018	4.8800	Target hit	2.7%
7/06/2018	Buy 3m SGD/KRW forward/NDF (Spot reference)	800.51 801.30	2/08/2018	821.50 822.90	Take profit	2.6%
29/06/2018	Sell 3m TWD/KRW NDF (Spot reference)	36.67 36.65	2/08/2018	36.68 36.60	Closed	0.0%
3/07/2018	Buy 3m THB/PHP forward/NDF (Spot reference)	1.6272 1.6093	3/08/2018	1.6000	S/L hit	-1.7%
2/08/2018	Buy 3m EUR/KRW forward/NDF (Spot reference)	1316.94 1309.45	13/08/2018	1295.00	S/L hit	-1.7%
8/06/2018	Buy EUR/AUD	1.5492	29/08/2018	1.5986	Trailing S/L hit	1.6%
24/08/2018	Buy AUD/NZD	1.0920	10/09/2018	1.0885	Closed	-0.3%
23/07/2018	Sell USD/JPY	110.96	20/09/2018	112.50	S/L hit	-1.4%
31/07/2018	Sell 3M SGD/CNH forward (Spot reference)	5.0332 5.0198	1/10/2018	5.0440	Closed	-0.2%
28/09/2018	Sell GBP/NZD	1.9760	5/10/2018	2.0100	S/L hit	-1.7%
26/07/2018	Buy AUD/USD 3m OTM put at 0.7400, sell OTM Put at 0.7200, sell OTM Call at 0.7670 (Spot reference)	22.8pips 0.7445	26/10/2018	381pips 0.7090	Mature	358pips
31/10/2018	Sell 3M AUD/CNH forward (Spot reference)	4.9749 4.9486	8/11/2018	5.0500	S/L hit	-1.5%
30/08/2018	Sell 3M EUR/SGD forward (Spot reference)	1.6064 1.5983	14/11/2018	1.5600	Target hit	3.0%
13/06/2018	Buy GBP/SGD	1.7862	4/12/2018	1.7400	S/L hit	-2.6%

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[25.07.2018]

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