

13 October 2023

## Global Economics & Market Strategy

### Large FX Option Expiry Ahead in EURUSD

- ◆ A total of USD 13.13 bn of FX option expiry is due later today during New York trading hours for EURUSD. The significance of these expiries are, it is centred between two major levels 1.0450 to 1.0720 which is rather wide.
- ◆ 10YR yield spread currently between the EZ and US is trading around 1.85% and has steadily moved up from 1.07% at the beginning of 2Q23 keeping up the pressure on EURUSD.

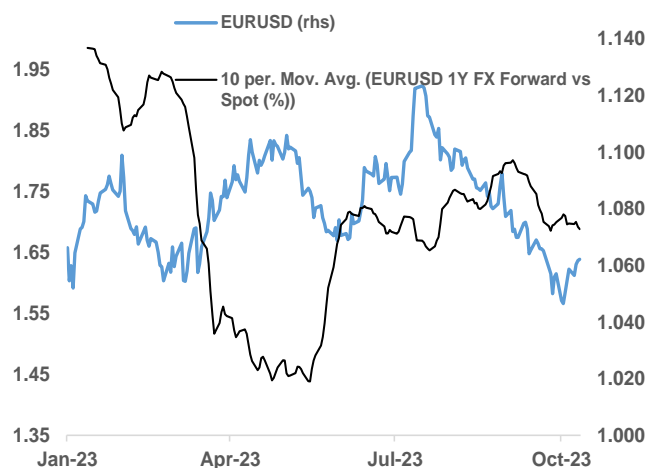
#### Head, Rates/FX Strategy

Dr. Suresh Rama, CQF

+603 9280 2163

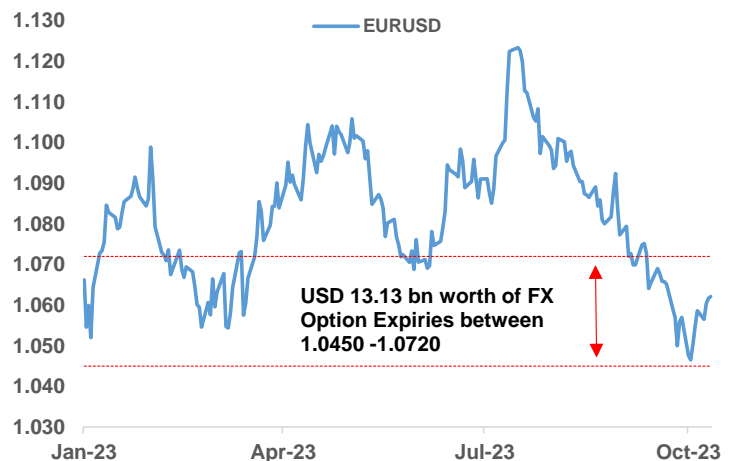
suresh.kumar.ramanathan@rhbgroup.com

Figure 1: 1YR EURUSD FX Forwards are coming off



Source: Reuters, RHB Economics & Market Strategy.

Figure 2: Large FX Option expiries between 1.0450-1.0720



Source: Reuters, RHB Economics & Market Strategy

## Global FX News: Watch EURUSD

- A total of USD 13.13 bn of FX option expiry is due later today during New York trading hours for EURUSD. The significance of these expiries are, it is centred between two major levels 1.0450 to 1.0720 which is literally 3 big figures. Given the wide range, we expect the pair to face intense volatility. While we don't expect the pair to move out of the broad 1.0450 -1.0720 range, stops are likely to be triggered at 1.0500, 1.0475 on the downside if the USD continues its ascend. In the meantime, we note EURUSD 1Y forward is trading at a premium against spot by almost 1.67%, as forwards stabilize around the 1.0800 region.
- On the rates front, implied policy rates by the European Central Bank (ECB) in the subsequent two meetings left for the year, 26<sup>th</sup> October and 14<sup>th</sup> December show markets are not pricing in further rate hikes by the central bank. We believe the long term 10YR yield spread which still remains wide between Euro Zone (EZ) and the US should keep EURUSD under pressure. 10YR yield spread currently between the EZ and US is trading around 1.85% and has steadily moved up from 1.07% at the beginning of 2Q23.
- The Monetary Authority of Singapore (MAS) maintained the prevailing rate of appreciation of the S\$NEER policy band. MAS indicated that there will be no change to its width and the level at which it is centred. The central bank added that current appreciating path of the S\$NEER policy band is assessed to be sufficiently tight. A sustained appreciation of the policy band is necessary to dampen imported inflation and curb domestic cost pressures, thus ensuring medium-term price stability. USDSGD last traded at 1.3688.
- The USD rose sharply in the overnight trading session as the DXY index stood at 106.55. EURUSD declined to 1.0527 while USDJPY changed hands around 149.81. GBPUSD in the meantime was quoted around 1.2174 while USDCHF retreated to 0.9085.
- UST yields gained, the long bond was up 3.7 basis points to 4.83%, the UST 10YR was up by 10.2 basis points at 4.699% while the front end UST 2YR was up by 6.4 basis points at 5.068%. The yield spread between UST 10YR and 2YR remained inverted at 37.40 basis points.
- US Consumer Price Index (CPI) was up by 0.4% MoM in September compared to 0.6% in August. On a YoY basis CPI gained 3.7% in September unchanged from August month. Core CPI in the meantime was up by 0.3% MoM and 4.1% YoY in September compared to 4.3% gain in August.

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### KUALA LUMPUR

#### RHB Investment Bank Bhd

Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur 50400  
Malaysia  
Tel : +603 9280 8888  
Fax : +603 9200 2216

### JAKARTA

#### PT RHB Sekuritas Indonesia

Revenue Tower, 11th Floor, District 8 - SCBD  
Jl. Jendral Sudirman Kav 52-53  
Jakarta 12190  
Indonesia  
Tel : +6221 509 39 888  
Fax : +6221 509 39 777

### SINGAPORE

#### RHB Bank Berhad (Singapore branch)

90 Cecil Street  
#04-00 RHB Bank Building  
Singapore 069531

### BANGKOK

#### RHB Securities (Thailand) PCL

10th Floor, Sathorn Square Office Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +66 2088 9999  
Fax :+66 2088 9799