“Shock and awe” has officially become Draghi’s modi operandi. In spite of a widely expected placeholder meeting, the ECB stole the spotlight by announcing a plethora of drastic movements yesterday.

The ECB hammered out a gloomy macro outlook. GDP growth for 2019 was cut down by a third to 1.1% from 1.7%, and inflation forecast was slashed considerably to 1.2% from 1.6%. To preempt finger-pointing, the ECB immediately pushed out forward guidance on rate hike by a quarter, from “at least through the summer of 2019” to “at least through the end of 2019”. Concerns of negative rates on bank profitability vanish like a whiff of smoke, so to speak.

Draghi’s package always involves some degree of nuances. The Maestro just enjoys the high-wire act to steer market expectation. This time around, the maturity of TLTRO-III will be shortened from four years to two years. The average rate will be...
linked to the refinancing rate (0%), but not the deposit facility rate (-0.4%).

Yet nuance doesn’t sell. The EUR has been dumped like there’s no tomorrow. EUR/USD dived by two big figures to 1.11s this morning. The caveat emptor is now how much are already priced in. We are not so sure. Month-on-month run rate on inflation needs to be doubled to hit the freshly downgraded inflation target. You can’t save the blame game by shifting from an outright unrealistic assumption to an improbable forecast.

We still expect the market to pile into EUR shorts. Separately, JPY is no pushover since the BoJ is a surefire loser in the race to bottom. So EUR/JPY is a cleaner expression of the EUR-bearish view.
### Table 1: Strategy Performance Summary

<table>
<thead>
<tr>
<th>Date</th>
<th>Key recommendations</th>
<th>Entry level*</th>
<th>Low</th>
<th>High</th>
<th>Period-end level</th>
<th>1-month return</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-Feb-19</td>
<td>Underweighting the dollar and staying nimble</td>
<td>96.83</td>
<td>96.29</td>
<td>97.71</td>
<td>97.61</td>
<td>-0.8%</td>
</tr>
<tr>
<td>12-Feb-19</td>
<td>For HKD bear, it is the Trojan horse you want to smuggle in</td>
<td>7.8470</td>
<td>7.8470</td>
<td>7.8500</td>
<td>7.8500</td>
<td>0.0%</td>
</tr>
<tr>
<td>31-Jan-19</td>
<td>The USD will going on struggling</td>
<td>95.26</td>
<td>95.16</td>
<td>97.16</td>
<td>96.06</td>
<td>-0.8%</td>
</tr>
<tr>
<td>30-Jan-19</td>
<td>We have interest in chasing GBP higher</td>
<td>1.3094</td>
<td>1.2779</td>
<td>1.3335</td>
<td>1.3293</td>
<td>1.5%</td>
</tr>
<tr>
<td>16-Jan-19</td>
<td>The GBP remains a buy-in-dip play</td>
<td>1.2845</td>
<td>1.2839</td>
<td>1.3217</td>
<td>1.2905</td>
<td>0.5%</td>
</tr>
<tr>
<td>12-Dec-18</td>
<td>Fate will smile upon the GBP once again next year</td>
<td>1.2513</td>
<td>1.2473</td>
<td>1.2862</td>
<td>1.2844</td>
<td>2.6%</td>
</tr>
<tr>
<td>14-Nov-18</td>
<td>We prefer to sell the EUR into rallies</td>
<td>1.1304</td>
<td>1.1263</td>
<td>1.1437</td>
<td>1.136</td>
<td>-0.5%</td>
</tr>
<tr>
<td>14-Nov-18</td>
<td>We prefer to sell the GBP into rallies</td>
<td>1.3010</td>
<td>1.2485</td>
<td>1.307</td>
<td>1.2627</td>
<td>3.0%</td>
</tr>
<tr>
<td>9-Nov-18</td>
<td>The resurgence of the USD will continue as uncertainty builds</td>
<td>96.7</td>
<td>96.08</td>
<td>97.7</td>
<td>96.7</td>
<td>0.0%</td>
</tr>
<tr>
<td>8-Oct-18</td>
<td>USD/CNY remains a buy-in-dip play</td>
<td>6.9036</td>
<td>6.8725</td>
<td>6.9769</td>
<td>6.9320</td>
<td>0.4%</td>
</tr>
<tr>
<td>3-Oct-18</td>
<td>A re-test of the lows (for EUR) around 1.1450 is very much on the radar</td>
<td>1.157</td>
<td>1.1306</td>
<td>1.1617</td>
<td>1.14</td>
<td>1.5%</td>
</tr>
<tr>
<td>21-Sep-18</td>
<td>USD/HKD to hit 7.83 in October</td>
<td>7.81</td>
<td>7.8033</td>
<td>7.8423</td>
<td>7.8423</td>
<td>0.4%</td>
</tr>
<tr>
<td>13-Sep-18</td>
<td>We prefer to trade GBP on the long side and buy dips towards 1.2960 if we get the chance</td>
<td>1.296</td>
<td>1.2927</td>
<td>1.3294</td>
<td>1.3168</td>
<td>1.6%</td>
</tr>
<tr>
<td>30-Aug-18</td>
<td>After USD/CAD hitting 1.28s, a re-test of the 1.30 handle could be on the cards</td>
<td>1.292</td>
<td>1.2892</td>
<td>1.3224</td>
<td>1.293</td>
<td>0.1%</td>
</tr>
<tr>
<td>27-Aug-18</td>
<td>The fragile political backdrop still remains a cause of concern for holding AUD</td>
<td>0.732</td>
<td>0.7088</td>
<td>0.7362</td>
<td>0.7230</td>
<td>1.2%</td>
</tr>
<tr>
<td>23-Aug-18</td>
<td>The USD will feel bid once again</td>
<td>95.3</td>
<td>93.84</td>
<td>95.71</td>
<td>94.2</td>
<td>-1.2%</td>
</tr>
<tr>
<td>15-Aug-18</td>
<td>JPY won’t be our first choice to seek asylum</td>
<td>111.3</td>
<td>109.84</td>
<td>112.14</td>
<td>112</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*Entry level recorded at the time of publication, if not stated otherwise

**Citi Parker Global Currency Manager Index**

**Total return** 10.3%

**Benchmark return** -3.2%

**Hit ratio** 75%

Source: Shanghai Commercial Bank
Recent Publications

Rinse and Repeat          Mar 6, 2019
Deal or No Deal           Feb 22, 2019
Be Water, My Friend       Feb 19, 2019
Tranquility before the Storm  Feb 12, 2019
First Do No Harm          Jan 31, 2019
Impasse Is the New Normal Jan 30, 2019
The Known Unknown         Jan 23, 2019
May-hem                   Jan 16, 2019
The Emperor Has No Clothes Jan 14, 2019
Code Red                  Jan 7, 2019
January Should Be Welcome, Not Feared! Jan 2, 2019
Flying under Cloudy Skies Dec 20, 2018
Demystifying Cost Averaging Dec 14, 2018
Brexit Chaos: More than Greek Tragedy Dec 12, 2018
A Bridge to Nowhere       Nov 14, 2018
The Fed Stays on Course   Nov 9, 2018
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Not Quite the Prime Minister Aug 27, 2018
The Weaponization of the Dollar Aug 23, 2018
JPY Losing Its Allure as Safe Haven Aug 15, 2018
The Turkey Shoot          Aug 13, 2018
The Old Lady Pulled the Trigger Aug 3, 2018
No Drama at the Bank of Japan’s Meeting Jul 31, 2018
Enjoy the Summer When You Still Can Jul 31, 2018
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