



UOB Personal Financial Services  
Deposits, Investments & Insurance Strategy  
Research & Product Advisory

Wednesday, 23 July 2014

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3600	1.3400
Spot Ref:	1.3464	
Tenor:	2 weeks	
Date:	23 Jul 2014	
Time:	11:10 hrs	
Resistance / Support:	1.3556	1.3343
Commentary:		

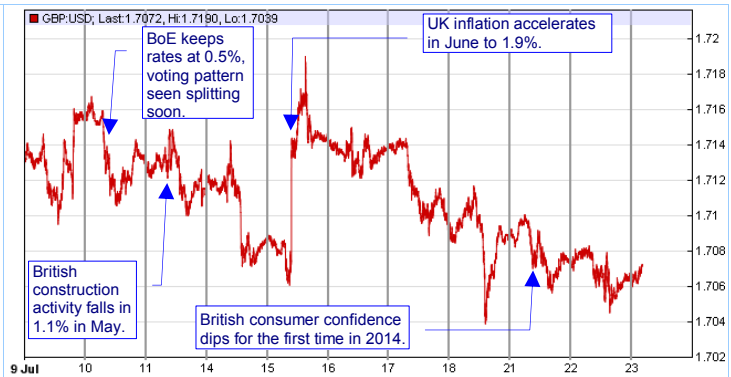


- Yellen said US interest rates may rise sooner than investors expect (Wed 16-Jul).
- Eurozone June inflation unchanged at low levels as expected (Thu 17-Jul).
- UK, France, Germany eye fresh Russia sanctions after plane disaster (Sun 20-Jul).
- Euro at 8-month low as US CPI data signals Fed keeps rates steady (Tue 22-Jul).

Eurozone inflation stayed low as expected in what the ECB calls the "danger zone" in June as falling prices of food and phone calls offset more expensive tobacco and restaurants, Eurostat said on Thursday. Consumer prices in the 18 countries using the euro rose 0.1% on the month in June for a 0.5% year-on-year gain, the same annual inflation rate as in May. Core annual inflation, which excludes the volatile prices of energy and unprocessed food, stood at 0.8% in June, unchanged from May. The ECB is also keeping an eye on the euro exchange rate and its impact on inflation; it is ready to launch additional measures to prevent deflation if the euro becomes too strong.

The US dollar firmed on Tuesday against most major currencies, especially the euro, as easing US consumer inflation data pointed to the Fed keeping a steady course on interest rates. The pace of inflation slowed in June. The CPI rose 0.3% in June, after a hefty 0.4% rise in May. Core inflation, which excludes food and energy, inched up 0.1%, after a 0.3% rise in May. On a 12-month basis, the CPI was up 2.1% for a second month in June, while core CPI rose 1.9%. The Fed, which holds a policy meeting on July 29-30, has a 2.0% inflation target for price stability. Its preferred measure of inflation, the personal consumption expenditures price index, stood at an annual rate of 1.8% in May. Fed officials said the longer-term inflation outlook remains subdued, signalling no need to raise its near-zero interest rate until at least mid-2015.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.7150	1.6950
Spot Ref:	1.7072	
Tenor:	2 weeks	
Date:	23 Jul 2014	
Time:	11:10 hrs	
Resistance / Support:	1.7145	1.6981
Commentary:		



- UK to post strongest growth in G7, says EY Item Club (Sun 20-Jul).
- Asking prices for UK homes fall for first time in 2014 - Rightmove (Mon 21-Jul).
- British consumer confidence dips for the first time in 2014 - Lloyds (Mon 21-Jul).
- UK Q2 GDP growth: forecast 0.8%/q, 3.1%/y (due Fri 25-Jul, 16:30hrs SGT).
- UK factory orders slow more than forecast in July (Tue 22-Jul).

The UK economy will grow faster in 2014 than any other G7 economy, while low wage rises will ensure interest rates do not rise until next year, an influential report has forecast. UK GDP growth will hit 3.1% this year, spurred by strong capital investment by businesses, the EY Item Club said. Meanwhile rates will not rise until Q1 of 2015, it predicted. Official figures show that UK GDP rose by 0.8% in Q1, the fifth consecutive quarter of positive growth and the longest positive run since the financial crisis.

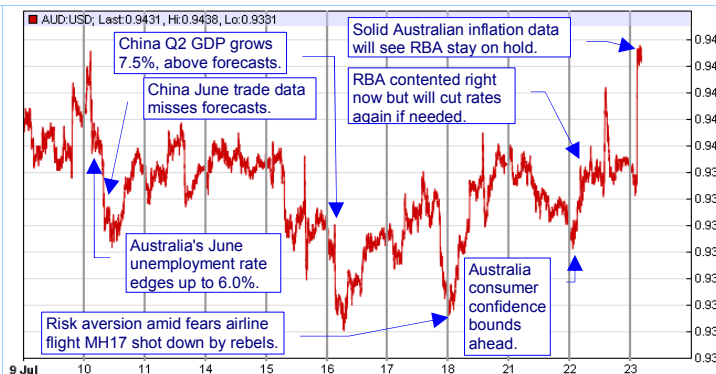
Asking prices for houses in Britain have fallen for the first time this year although they are likely to pick up more speed before the end of 2014, property website Rightmove said on Monday. Prices of property coming onto the market fell by 0.8% in July, leading to a slowing in the annual rate of price growth to 6.5% from 7.7% in June, according to Rightmove's House Price Index. Asking prices have fallen in July in 6 of the last 10 years, reflecting a normal seasonal drop.

The overall index of consumer confidence compiled by Lloyds Bank eased one percentage point to 145, data showed on Monday, with spending on gas and electricity around 2.5% lower than a year ago. Spending growth on essentials remained stable at around 1% higher than in June 2013. The easing of the Lloyds index follows a slip in June of the monthly Household Finance Index compiled by data firm Markit. The possibility of the BoE raising interest rates was cited as a factor in the Markit report.

British factory orders slowed more than expected in July and growth expectations also eased, a latest sign that the pace of recovery in manufacturing has lost a bit of steam. The CBI survey's monthly total order book balance slowed to +2 this month from +11 in June and was below expectations for a balance of +8. Outside the often volatile monthly numbers, total new orders for the quarter ending in July rose to +24 from +21 in April - their highest level since 1995. But the balance for export orders in July alone fell to -16 from -2 in June - its lowest since January - dampening hopes that exports will help to balance out the consumer-led rebound in the economy.

Market attention today will be on the BoE minutes of the MPC meeting held on 9 & 10 July 2014. Markets have waxed and waned over the precise timing of the start to the interest rate normalisation process, but BoE Governor Mark Carney has been attempting to fine tune market expectations, hoping that markets will not be drawn to the precise timing but to come to terms with the fact that even if they embark on a monetary tightening venture, it will be in a limited and gradual manner.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9500 0.9300  
 Spot Ref: 0.9431  
 Tenor: 2 weeks  
 Date: 23 Jul 2014  
 Time: 11:10 hrs  
 Resistance / Support: 0.9514 0.9331  
 Commentary:



- Abbott: Australia surplus goal at risk in budget impasse (Mon 21-Jul).
- ANZ-RoyMorgan: Australia consumer confidence bounds ahead (Tue 22-Jul).
- RBA will cut rates again if needed; Stevens says "content right now" (Tue 22-Jul).
- Solid Australian inflation data will see RBA put rates on hold (Wed 23-Jul).

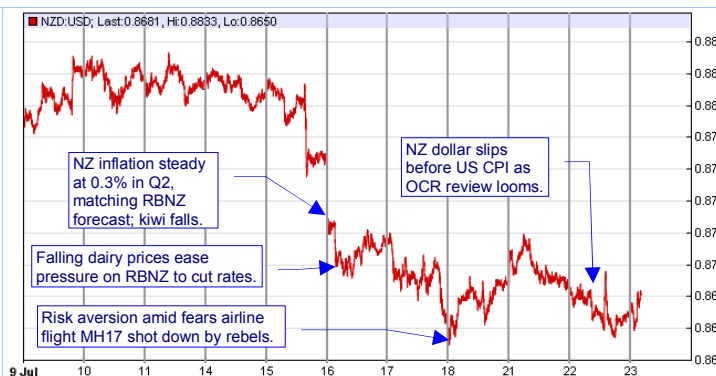
Prime Minister Tony Abbott's bid to put Australia back on a path to surplus is under threat from senators opposing A\$40 billion in savings. The Liberal-National government, which had wagered on a more compliant upper house when the balance of power switched July 1 to a group of eight centre-right lawmakers, has instead seen its spending cuts stymied. Having ruled out an election to break the impasse or a mini-budget to find alternatives, it's having to negotiate with parties emboldened by opinion polls showing the government has lost popularity since its May budget.

Consumers appear to have shaken off their budget cut woes, with confidence levels enjoying a solid rebound. ANZ-Roy Morgan's latest survey found consumer confidence levels are now back to where they were before worries set in about the government's planned spending cuts. Consumer confidence rose 4.4% in the past week.

RBA Governor Glenn Stevens said he's content with the current monetary policy setting and stands ready to do more if needed. "I think low interest rates are doing the sorts of things they normally do in most respects", Stevens said Tuesday. He said there is "huge potential" for public and private investment in infrastructure if governance, risk-sharing and other issues are "successfully tackled". Efforts to complete the main financial regulatory initiatives should deliver both "a safer system and less uncertainty", without unnecessarily crimping growth. "The highly accommodative financial conditions will then have a more powerful effect in engendering real growth."

The RBA is likely to remain in wait-and-see mode on interest rates following solid inflation figures. Headline inflation figures from the ABS today were largely in line with expectations, with the CPI rising 0.5% in the June quarter and 3.0% in the year to June. Economists had expected a rise of 0.6% for the quarter and 3.1% for the year. The figures ruled out the chance of a rate cut in the near future, JP Morgan economist Tom Kennedy said. The RBA uses the trimmed mean CPI to gauge underlying inflation. The trimmed mean CPI rose 0.8% in the June quarter, for an annual growth rate of 2.9%. This is at the top end of the RBA's target range for annual inflation of 2%-3%.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8800 0.8600  
 Spot Ref: 0.8681  
 Tenor: 2 weeks  
 Date: 23 Jul 2014  
 Time: 11:10 hrs  
 Resistance / Support: 0.8760 0.8584  
 Commentary:



- Farm Confidence Survey in negative territory on strong Kiwi (Mon 21-Jul).
- NZ dollar slips before US CPI as OCR review looms (Tue 22-Jul).
- RBNZ sees review of bank, non-bank regulations finished by Sep 2015 (Tue 22-Jul).
- RBNZ expected to raise OCR by 0.25% to 3.5% (due Thu 24-Jul, 05:00 hrs SGT).

Farm confidence has taken a major hit, under the high Kiwi dollar, higher interest rates and falling dairy and commodity prices. The new season Farm Confidence Survey has moved into negative territory, with the biggest slump being felt in the dairy sector. Federated Farmers president William Rolleston says farmers are being resilient, through droughts, floods and changing economic conditions. "We've got a few headwinds ahead of us, but nothing we haven't faced before", Mr Rolleston says, adding that the RBNZ can do its bit, by holding off on interest rate hikes. Farmer confidence is also slipping, on the back of the bad weather and economic conditions.

The RBNZ says it will complete a stock-take of regulations covering banks and non-bank deposit takers by September next year to ensure they're as streamlined as possible given the layers of complexity added with the Basel III regime. While New Zealand isn't a member of the Basel committee on banking supervision or the G20's financial stability board the RBNZ has developed its regulatory framework to be broadly in tune with the international reforms.

The kiwi dollar fell before the release of US consumer prices for June, amid speculation inflation in the world's biggest economy may have accelerated enough to bring forward the timing of interest rate hikes. The US data comes ahead of the RBNZ's review of the official cash rate on Thursday, which is expected to see the OCR lifted by 0.25% to 3.5%, compared to near zero for the Federal Reserve. RBNZ governor Graeme Wheeler, in raising the OCR, may also warn that the currency is over-valued given weaker prices for key NZ commodities such as dairy and logs.



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