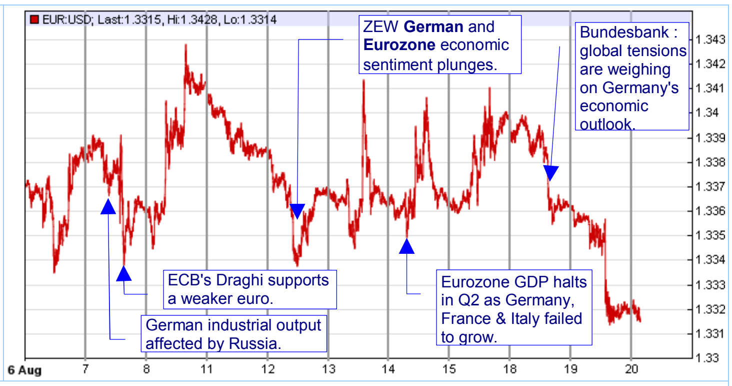
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 20 August 2014

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3450	1.3200
Spot Ref:	1.3315	
Tenor:	2 weeks	
Date:	20 Aug 2014	
Time:	10:30 hrs	
Resistance / Support:	1.3437	1.3229



Commentary:

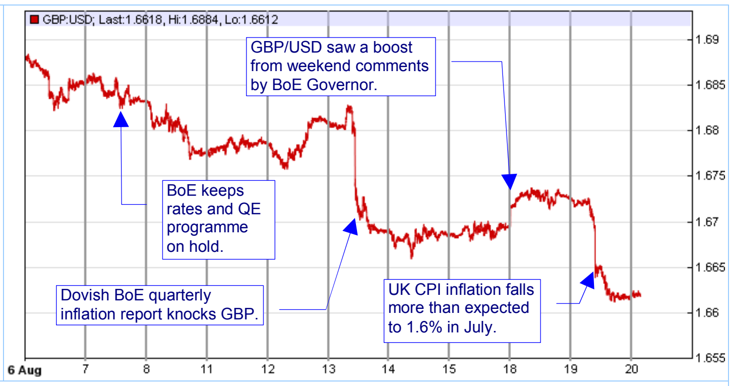
- Eurozone GDP halts in Q2 as Germany, France & Italy failed to grow (Thu 14-Aug).
- Eurozone exports hit by Russian crisis (Mon 18-Aug).
- Bundesbank: slowing German growth amid Russian sanctions (Mon 18-Aug).
- Flash eurozone composite PMI, consumer confidence (due on Thu 21-Aug).

The eurozone's recovery unexpectedly halted in Q2 as its three biggest economies (Germany -0.2%q/q, France 0%q/q, Italy -0.2%q/q) failed to grow, underlining the vulnerability of the region to the threat of deflation while the deepening crisis in Ukraine clouds the growth outlook in 2H 2014. Eurozone Q2 GDP was unchanged from Q1 which expanded 0.2%q/q in Q1. Compared to a year ago, Eurozone GDP grew by 0.7%y/y in Q2, down slightly from the 0.8% in Q1. Within the Eurozone, German Q2 GDP contracted more than expected at 0.2%q/q (1.2%y/y) after expanding 0.7%q/q (2.3%y/y) in Q1, largely due to a warm winter that shifted production to earlier months.

The euro sank as the Bundesbank released its monthly report, noting that "The economic outlook for the German economy has clouded over in the middle of the year in response to unfavourable international news". Germany's central bank said on Monday that sanctions enacted by western countries against Russia, along with counter measures that Russia has put in place, hurt firms dependent on exports as well as parts of the domestic economy such as construction.

Economic crisis in Russia and sluggish demand from Turkey weighed on hopes for an export-led recovery in the eurozone in June. Exports from the eurozone dipped by 0.5% in June compared with May to €162.2 billion. Eurozone exports were dragged down by a 14% slump in demand from sanction-hit Russia and an 8% drop from Turkey, which is suffering an economic slowdown. With imports up a slight 0.5%, this meant countries in the eurozone posted a marginally higher €16.8 billion trade surplus in June, up from €15.4 billion in May. There are fears the crisis in Ukraine will weigh on growth and could further derail the eurozone's fragile recovery from the debt crisis.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6800	1.6500
Spot Ref:	1.6618	
Tenor:	2 weeks	
Date:	20 Aug 2014	
Time:	10:30 hrs	
Resistance / Support:	1.6770	1.6534



Commentary:

- UK wages fall for first time since 2009; dovish BoE report knock GBP (Wed 13-Aug).
- London home asking prices plunge most in more than 6 years (Mon 18-Aug).
- UK economy grows at fastest annual pace in over six years in Q2 (Fri 15-Aug).
- UK CPI inflation falls more than expected to 1.6% in July (Tue 19-Aug).

In its quarterly inflation report last Wednesday, the BoE signalled that it remains on course to raise interest rates early next year but only if wage growth in the UK picks up. It said that annual inflation will stay at roughly 2% over the next two to three years, as long as interest rates rise in line with expectations in financial markets. Carney also warned that geo-political risks adds to downside skew to forecasts. Even as UK unemployment rate eased further to 6.4% in June, the lowest since end 2008, average weekly earnings contracted more than expected by -0.2% for the first time since March-May 2009 when bonuses were slashed during the financial crisis.

Britain's economy kept up its strong growth in Q2 and its yearly pace of expansion was revised up to 3.2%, its best performance in more than six years, official data showed on Friday. GDP expanded by 0.8%q/q in Q2, as reported in preliminary data last month and the same pace as in Q1. Compared with Q2 of last year, the economy expanded by 3.2%, up slightly from an estimate of 3.1% in the preliminary reading. That was the fastest yearly growth since the end of 2007.

BoE governor Carney in the UK Sunday Times, said that "we don't have to wait" for real wages to turn positive before raising interest rates. The more hawkish remarks stand in contrast to the relatively dovish tone in the BoE's quarterly inflation report released last week. It also represents another shift in Carney's forward guidance.

London home sellers cut asking prices in August by the most in more than 6 years, adding to signs that the property market in the UK capital is coming off the boil. London values fell 5.9% from July to an average £552,783, the biggest drop since December 2007, property website Rightmove said. Nationally, prices declined 2.9%, a record for an August. Some of the biggest price declines in London were recorded in affluent boroughs including Kensington and Chelsea, Camden, Hammersmith and Fulham.

The annual rate of UK inflation rate fell more than expected in July as the cost of clothing, footwear, food and non-alcoholic drinks eased. The ONS said CPI inflation fell to 1.6% from 1.9% in June. But CPI remains well above average wages which grew by just 0.6% in Q2. The RPI, which includes housing costs, fell to 2.5% from 2.6%.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9400	0.9200
Spot Ref:	0.9310	
Tenor:	2 weeks	
Date:	20 Aug 2014	
Time:	10:30 hrs	
Resistance / Support:	0.9402	0.9230

Commentary:

■ Australia misery index rises to 6-year high; a challenge for the RBA (Mon 18-Aug).
■ Consumer confidence rebounded last week: ANZ (Tue 19-Aug).
■ RBA sees uncertain growth outlook as rate pause reaffirmed (Tue 19-Aug).
■ RBA testimony – no rate rise imminent, Q2 growth weaker (Wed 20-Aug).

A deepening gloom across the largest developed economy to escape recession during the global financial crisis is shaping up as one of the toughest challenges yet for RBA chief Glenn Stevens. Australia's misery index -- the sum of unemployment and inflation rates -- is at 9.0, the highest since 2008, when the collapse of Lehman Brothers froze credit markets around the world and triggered the deepest recession in the US since the Great Depression. The misery index is higher than when policy makers began their latest easing cycle that brought rates to a record-low 2.5%. Traders are pricing in about a 40% chance of the RBA cutting rates again by March.

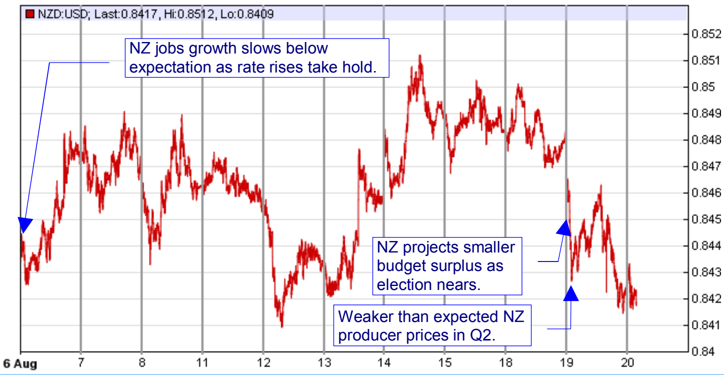
The RBA's August meeting minutes have given the Australian dollar a small boost, despite containing little new information. It said the nation's economic outlook remains uncertain because of the conflicting forces at play and reiterated that interest rates are set to remain on hold. Members "noted the significant uncertainties around the growth forecast and the importance of considering the risks to the forecast as well as the central projection", the RBA said in minutes released Tuesday of its August 5 meeting, where it kept the cash rate unchanged at a record-low 2.5%. "GDP growth was likely to have slowed to a more moderate pace in the June quarter."

Consumers appear to have shaken off the bad news about rising unemployment and conflicts in the Middle East and Ukraine, with confidence rebounding last week. Consumer confidence took a hit in early August amid gloomy news about Australia's jobless rate rising to 6.4%. But confidence has turned around, according to the latest ANZ-Roy Morgan weekly consumer confidence survey on Tuesday. Consumer confidence last week rebounded 3.7 to 112.5, near its long-run average level, said ANZ.

The RBA has hosed down speculation that it has recently considered an interest rate hike. "Despite speculation... we haven't thought about raising rates anytime lately," RBA governor Glenn Stevens told a parliamentary committee on Wednesday. "I think that should be reasonably clear." The RBA has kept its cash rate at 2.5% for a year.

The economy grew by 3.5% in the 12 months to March, much better that the market forecast of 3.1%. Stevens said there will be some payback in the June quarter after such a strong performance earlier. "Our expectation is for a subdued quarterly number. Having had quite a strong one this will be a lower one". In its forecasts issued earlier this month the RBA lowered its growth forecasts for the year to June by 0.25% to between 2%-3%. The ABS releases June quarter national accounts on 03-Sep.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8550	0.8350
Spot Ref:	0.8417	
Tenor:	2 weeks	
Date:	20 Aug 2014	
Time:	10:30 hrs	
Resistance / Support:	0.8574	0.8373



Commentary:

■ New Zealand projects smaller budget surplus as election nears (Tue 19-Aug).
■ NZ Q2 producer prices fall on dairy; NZD declines (Tue 19-Aug).
■ Falling commodity prices take heat out of NZ economy: Treasury (Tue 19-Aug).

NZ's government cut its forecast for economic growth and projected smaller budget surpluses as it opened the books a month out from a general election. The operating surplus will be NZ$297 million in the 12 months through June and rise to NZ$818 million in 2015/16, Finance Minister Bill English said in the pre-election fiscal update in Wellington on Tuesday. That compares with May's budget projections of NZ$372 million and NZ$1.26 billion.

This year's drop in global dairy and log prices has slowed the pace of the NZ economy earlier than expected, while lower than anticipated GST receipts are likely to trim the projected government surplus. The latest Treasury forecasts sees the terms of trade falling 0.7% in the 2015 financial year, turning around an expected 1.6% gain in the May forecast. It also trimmed 0.2% from its forecast growth for GDP of 3.8% to **3.6%** in the 2015 financial year, with subsequent expansion expectations remain intact.

StatsNZ released producer prices showing both output and input prices lower than expected. Q2 producer output prices fell 0.5%q/q vs 0.9% gain in Q1; Q2 producer input prices fell 1.0%q/q vs 1% advance in Q1. When compared to the same quarter a year ago, Q2 output prices rose 2.5%y/y and input prices rose 1.4%y/y.