UOB 大華銀行

UOB WEALTH BANKING

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

Wednesday, 11 February 2015

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1500	1.1200
Spot Ref:	1.1325	
Tenor:	2 weeks	
Date:	11 Feb 2015	
Time:	11:25 hrs	
Resistance / Support:	1.1457	1.1169
Commentary:		

- ECB no longer accept Greek government bonds as collateral (Wed 04-Feb).
- Greek finance minister says euro will collapse if Greece exits (Sun 08-Feb).
- Outcome of Eurogroup's meeting on Greece (due Thu 12-Feb, 00:30hrs SGT).
- Solid US jobs data, wage gains; Fed on track for mid-year rate hike (Fri 06-Feb).
- Rush to negotiate after Greece sticks to its guns on bailout (Mon 09-Feb).

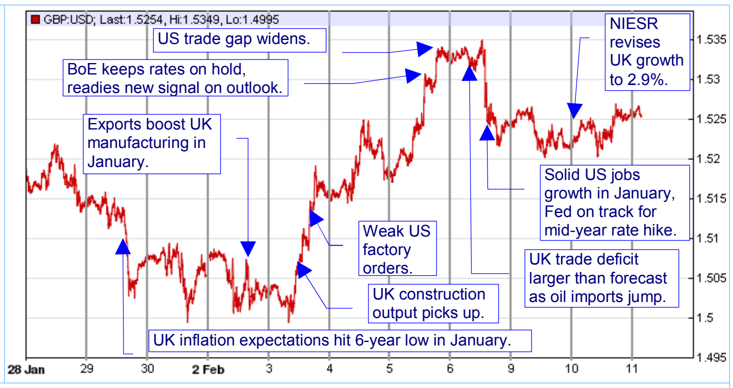
The ECB last Wednesday said it will no longer accept Greek government bonds or other instruments guaranteed by Greece as collateral in refinancing operations. This means Greek banks from 11 February will have to tap deeper into the more expensive Emergency Liquidity Assistance (ELA). The ECB decision comes after a meeting between the Greek Finance Minister and the ECB's president Mario Draghi. This represents a surprisingly tough stance by the ECB, and clearly puts more pressure on Greece to reach an agreement on the EU/EFSF financial assistance program. Analysts were therefore confident that Greek banks would still be able to finance themselves.

The US dollar and government debt yields jumped on Friday as a strong American labour market report showed solid US job growth, with wages rebounding strongly, raising expectations that the Fed will increase interest rates by mid-year. More than a million jobs were created over the past three months, the first time since late 1997.

If Greece is forced out of the eurozone, other countries will inevitably follow and the currency bloc will collapse, Greek Finance Minister Yanis Varoufakis said on Sunday, adding that his government would propose a "new deal" for Europe like the one enacted in the USA in the 1930s.

Greece was locked on Monday in intense talks with its EU partners after the country's prime minister stuck to his anti-austerity guns with the deadline for a deal needed to avoid the risk of default and a euro exit just days away. In a rousing policy speech to parliament, Prime Minister Alexis Tsipras on Sunday swore he would be "unshakeable" in implementing his electoral promises and refused to apply for an extension to the much-loathed €240 billion bailout.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5400	1.5050
Spot Ref:	1.5254	
Tenor:	2 weeks	
Date:	11 Feb 2015	
Time:	11:25 hrs	
Resistance / Support:	1.5400	1.5084
Commentary:		



- BoE keeps rates on hold, readies new signal on outlook (Thu 05-Feb).
- UK retail sales growth accelerates in January: BRC (Tue 10-Feb).
- UK trade deficit larger than forecast as oil imports jump (Fri 06-Feb).
- Oil price plunge to boost UK growth in 2015: NIESR (Tue 10-Feb).

The BoE kept rates at 0.5% and the stockpile of government bonds it bought as additional stimulus after the crisis at £375 billion. It made no further comment. Markets are watching for a quarterly **Inflation Report, due on Thursday (12-Feb)**, to get a sense of how relaxed the BoE is about keeping in place the stimulus of rock-bottom rates.

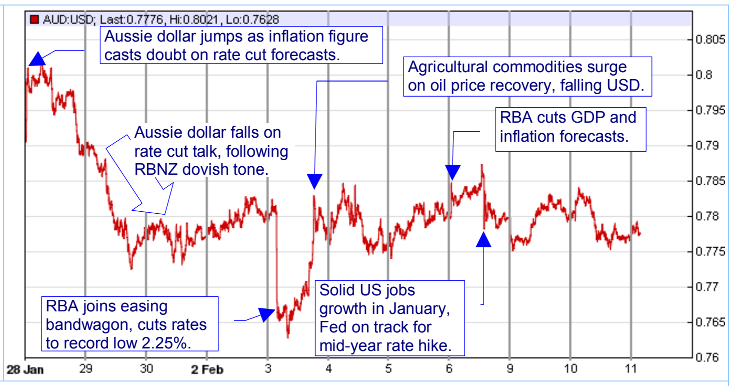
The UK goods trade deficit widened to £10.2 billion in December from £9.3 billion in November, larger than economists forecast for a deficit of £9.1 billion, as oil imports jumped and a slowing global economy saw demand for British goods stagnate. Exports rose just 0.1% in December while imports gained 2.7%. Oil imports jumped 21%, reflecting an increase in the volume of purchases as prices continued to fall. The data underscore the drag from stagnation in the eurozone, where exports rose just 0.1%.

British retail spending accelerated last month as shoppers splashed out more than usual in the January sales, while food sales rose for the second month in a row, an industry survey showed on Tuesday. The British Retail Consortium said retail spending was 1.6% higher this January than a year ago, following a 1.0% year-on-year rise in December. The survey was the latest to suggest Britain's consumers are becoming more willing to spend after a recent end to years of falling real incomes, and that they will continue to be the driving force behind the country's economy - the main battleground for May 7's national election. Retail spending on the BRC's like-for-like measure - which excludes new stores and more closely reflects how stores report sales to shareholders - rose 0.2% on the year, compared with a 0.4% decline in December.

Britain's economy is on track for its strongest growth in nearly a decade in 2015 as the plunge in world oil prices puts money in the pockets of the country's free-spending consumers. Growth will rise to 2.9% - its fastest pace since 2006 - from 2.6% last year, the National Institute of Economic and Social Research said, a welcome prospect for PM David Cameron who faces a national election on May 7. As recently as November, NIESR predicted growth of 2.5% this year, but that was before oil prices tumbled.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.7950	0.7650
Spot Ref:	0.7776	
Tenor:	2 weeks	
Date:	11 Feb 2015	
Time:	11:25 hrs	
Resistance / Support:	0.7975	0.7599

Commentary:



- RBA cuts GDP and inflation forecasts, underscoring rate move (Thu 06-Feb).
- Aussie consumer confidence down 0.6% in past week – ANZ survey (Tue 10-Feb).
- Australia business conditions lacklustre in January: NAB survey (Tue 10-Feb).
- Housing boom is sustainable: Stockland (Wed 11-Feb).

The RBA lowered its 2015 growth and inflation forecasts and predicted unemployment will rise, underscoring its decision to cut interest rates. “Growth overall is now forecast to remain at a below-trend pace somewhat longer than had earlier been expected”, the RBA said in its quarterly monetary policy statement. “The economy is expected to be operating with a degree of spare capacity for some time yet, and domestic cost pressures are likely to remain subdued.” The RBA reduced its forecast average expansion for this year to between 1.75% and 2.75% from between 2% and 3% estimated in November. It lowered projected headline consumer inflation to 1.25% in the year through June from between 1.5% and 2.5% seen three months earlier.

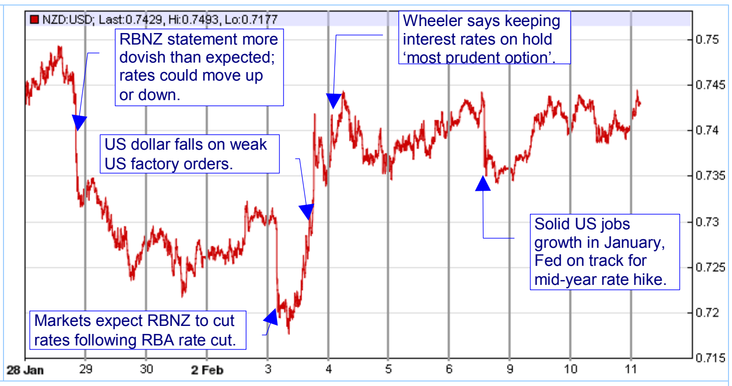
National Australia Bank's monthly survey showed its index of business conditions held at +2 in January, as December's reading was revised down from +4. Australian business conditions stayed subdued in January as manufacturers reported tough times, though a falling currency helped nudge confidence higher. Business confidence ticked up a point to +3, with miners encouraged by the lower local dollar. Its index of sales fell 4 points to +5, while profitability eased a point to +1 and employment stayed at -1. The survey was conducted before the RBA cut interest rates to a record low of 2.25% last week, which might give a fillip to sentiment going forward.

The ANZ-Roy Morgan Australian Consumer Confidence index fell 0.6% to 111.7 in the last week, as the positive effect of interest rate cuts was offset by concerns about the economy and Government leadership speculation. Consumer confidence continues to show a disappointing lack of momentum. “It appears that lower rates and higher house prices have contributed to households’ assessment of their own household finances as relatively healthy. But at the same time, households are clearly concerned about the economic outlook and job security. While expectations about the future remain subdued, the risk is that households will choose to save a sizable part of the cash flow boost from lower rate cuts and petrol prices.”

Low interest rates, strong population growth and an undersupply of homes will fuel Australia's housing boom for at least another two years, property group Stockland says. “Even though the broader economy is quite mixed, the (housing) undersupply and population growth underpins the housing industry", CEO Steinert said.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7550	0.7250
Spot Ref:	0.7429	
Tenor:	2 weeks	
Date:	11 Feb 2015	
Time:	11:25 hrs	
Resistance / Support:	0.7519	0.7299

Commentary:



- ASB predicts solid economic growth for NZ (Tue 10-Feb).
- English says RBNZ looking at property investment curbs (Tue 10-Feb).
- Wheeler's speech builds case for more Macro-Prudential measures (Tue 10-Feb).

New Zealand looks set for a year of solid overall economic growth of around 3%. This from ASB Bank in its latest quarterly economic forecast which it says is driven largely by consumer spending. Chief Economist Nick Tuffley says record- level net migration means more people are being fed and clothed. He says there's solid growth in employment, and interest rates are likely to remain relatively low, supporting economic growth.

Finance Minister Bill English has described RBNZ Governor Graeme Wheeler's latest comments on the housing market and the activities of banks as RBNZ making the case for further **Macro-Prudential** measures to slow Auckland's housing market inflation. English said he agreed with RBNZ that a correction in the Auckland housing market was possible. He was commenting after Wheeler spoke last week about the risk of a correction and warned that RBNZ would talk more about the housing market.

The RBNZ was consulting with the major banks about how such rules would work, English told reporters, according to Fairfax. The government would support the rules if the central bank decided to implement them, English said. He said the RBNZ faced a “dilemma” because it probably could not raise interest rates due to slow inflation, meaning “they don’t really have that tool to enable them to control the housing market”.

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