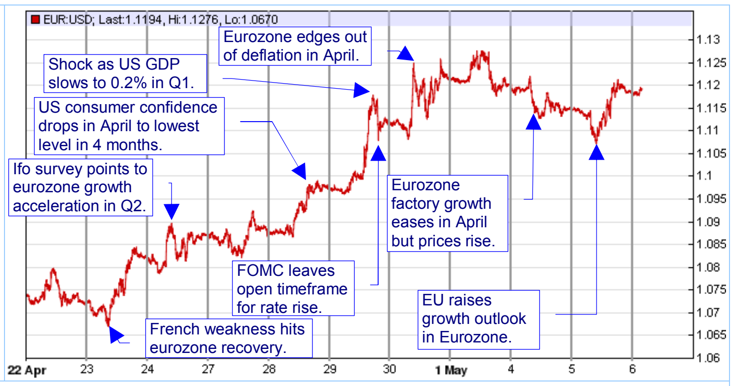
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 06 May 2015

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1300	1.0850
Spot Ref:	1.1194	
Tenor:	2 weeks	
Date:	06 May 2015	
Time:	10:45 hrs	
Resistance / Support:	1.1315	1.0844
Commentary:		



- Shock as US economy slows to 0.2% in Q1, way below 1% expected (Wed 29-Apr).
- Eurozone edges out of deflation in April (Thu 30-Apr).
- Eurozone factory growth eases in April but prices rise (Mon 04-May).
- FOMC leaves open timeframe for interest rate rise (Wed 29-Apr).
- Germany's manufacturing sector growth slows in April - PMI (Mon 04-May).
- EU raises growth outlook as ECB counters Greek threat (Tue 05-May).

The US economy slowed to a crawl in Q1 as businesses slashed investment, exports tumbled and consumers showed signs of caution. The advance Q1 GDP increased 0.2% versus 2.2% in Q4, below expectations for a 1.0% result. Personal consumption increased 1.9% versus 4.4% in Q4. Core PCE increased 0.9% versus 1.1% in Q4.

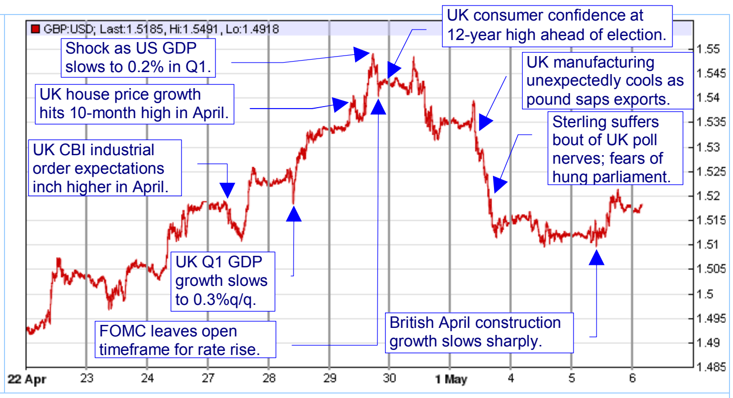
The Fed acknowledged that data since March suggests that economic growth slowed during the winter months, which was attributed in part to transitory factors. The Committee anticipates that it will be appropriate to raise rates when it has seen further improvement in the labour market and is confident that inflation will move back to its 2% objective. The next meeting is the 16/17 June FOMC. Watch for the April FOMC minutes (due on 20 May) to see whether the debate for June remains divided.

Eurozone flash estimates for inflation picked up in April to 0% y/y, from -0.1% in March, bringing to an end a four-month run of deflation. The biggest driver behind the increase was a rise in food, alcohol, and tobacco inflation. Core inflation, which excludes volatile energy and unprocessed food costs, was unchanged at 0.6% y/y.

Eurozone manufacturing growth eased in April but factories raised prices for the first time in eight months, according to Markit. It also showed headcount rose at the fastest pace in nearly four years. Any signs of inflationary pressure will be welcomed by the ECB, particularly as it only had a marginal impact on growth. Markit's final April manufacturing PMI stood at 52.0, revised up from a flash reading of 51.9 but shy of March's 10-month high of 52.2. It was the 22nd month of expansion.

The EC raised its GDP forecast in the EU19 to increase 1.5% this year, up from a prediction of 1.3% in February. It slashed its growth projections for Greece to 0.5% from 2.5% as Greece is struggling to persuade its eurozone partners to help pay its bills. The EC forecast eurozone inflation to start creeping up again and avoid the deflation it predicted in February. Yet it will remain below the ECB's goal of just under 2% for the next 2 years. Inflation will stand at 0.1% in 2015, before quickening to 1.5% in 2016.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5400	1.5000
Spot Ref:	1.5185	
Tenor:	2 weeks	
Date:	06 May 2015	
Time:	10:45 hrs	
Resistance / Support:	1.5421	1.4905
Commentary:		



- UK house price growth hits 10-month high in April: Nationwide (Wed 29-Apr).
- UK manufacturing unexpectedly cools as pound saps exports (Fri 01-May).
- Sterling suffers bout of UK poll nerves (Fri 01-May).
- UK consumer confidence at 12-year high ahead of election: GfK (Thu 30-Apr).
- UK mortgage approvals unexpectedly fall to 61,341 in March (Fri 01-May).
- British construction growth slows sharply in April - PMI (Tue 05-May).

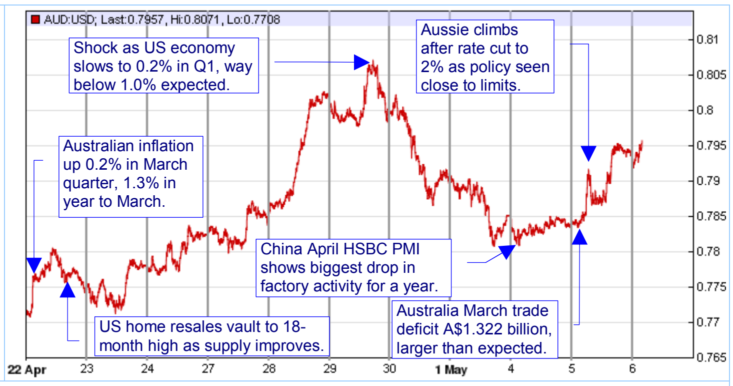
British consumer morale held steady at its highest level in more than 12 years in April, mixed news for Prime Minister David Cameron before the May 7 national election. GfK said its monthly consumer confidence index was unchanged at +4 in April from March, in line with economists' forecasts. The survey showed Britons took a slightly brighter view of the economy and their personal finances over the last 12 months. But they were no more optimistic about the coming year than they were last month.

Growth at UK factories unexpectedly cooled in April as the stronger pound hit exports for British goods. Markit's PMI for the manufacturing industry fell to a seven-month low of 51.9 from 54 in March. Economists had forecast an increase to 54.6 from a previous reading of 54.4. New export orders shrank for the fifth time in seven months.

Sterling dropped sharply against the dollar last Friday for a second day, falling 1.3% after a strong performance in April, as markets braced for a potentially messy outcome in tomorrow's election. Opinion polls are pointing to a hung parliament. Sterling volatility against the euro and the dollar rose in April, reaching levels not seen since 2011.

The Markit/CIPS UK construction PMI fell to 54.2 in April, its lowest level in 22 months and down from 57.8 in March, as companies put off decisions ahead of the elections, but confidence remained high and hinted at a post-election pickup. Employment in the sector grew a touch, a sign that companies expected business to recover soon.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.8050	0.7750
Spot Ref:	0.7957	
Tenor:	2 weeks	
Date:	06 May 2015	
Time:	10:45 hrs	
Resistance / Support:	0.8063	0.7727



Commentary:

- China April HSBC PMI shows biggest drop in factory activity for a year (Mon 04-May).
- Australia March trade deficit A$1.322 billion, larger than expected (Tue 05-May).
- Australian consumer confidence drops ahead of budget (Tue 05-May).
- Aussie climbs after rate cut to 2% as policy seen close to limits (Tue 05-May).

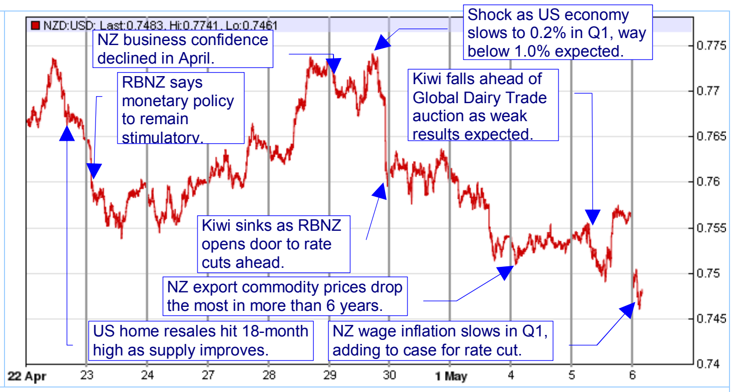
China's factories suffered their fastest drop in activity for a year as new orders fell in April, hardening the case for fresh policy stimulus to boost a flagging economy. The HSBC/Markit PMI fell to 48.9 in April - the lowest level since April 2014 - from 49.6 in March, as demand faltered and deflationary pressures persisted. The number was weaker than a preliminary reading of 49.2. The overall new orders sub-index dipped to 48.7 in April, also the sharpest contraction in a year, although new export orders showed tentative signs of improvement. Both input and output prices declined for a ninth month in April, while manufacturing employment contracted for an 18th month.

Consumer confidence fell last week largely due to concerns about next week's federal budget and the state of the government's finances. Confidence was down 2.8%, completely reversing the previous week's 2.8%, ANZ/Roy Morgan's consumer confidence barometer found. Despite the drop off, ANZ chief economist Warren Hogan on Tuesday said consumers seemed less worried about this year's federal budget than they did in the lead up to the 2014 budget. "While confidence fell sharply in the weeks ahead of last year's budget, this year we are seeing a more modest decline," he said.

Australia recorded a bigger than expected trade deficit in March, largely due to sagging prices for iron ore and coal exports. The balance on goods and services was a deficit of A$1.32 billion in March, following a revised deficit in February of $1.61 billion. Economists had expected a deficit of A$1.0 billion. Exports fell 2%, while imports were also down 2%. While export volumes of coal and iron ore continue to increase, their price continued to fall over March and that was a key driver of the bigger deficit.

The RBA slashed the cash rate by 0.25% at its monthly board meeting on Tuesday, taking rates to an historic low of 2%, with many economists tipping it to be the RBA's last trim for some time. The cut was in line with market expectations, which had forecast a 76% chance of a rate cut. Governor Glenn Stevens cited weakness in business capital expenditure in both the mining and non-mining sectors, while noting that the bank was working to contain risks in the housing market. The Australian dollar initially dipped after the cut but quickly rebounded amid speculation Mr Stevens' statement indicated the bank's easing cycle had ended. The RBA's statement indicated further rate cuts were unlikely, pointing to the phrase "recent encouraging trends in household demand" and suggested a relatively high hurdle for a further easing in the near term.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7650	0.7350
Spot Ref:	0.7483	
Tenor:	2 weeks	
Date:	06 May 2015	
Time:	10:45 hrs	
Resistance / Support:	0.7630	0.7366



Commentary:

- Kiwi sinks as RBNZ opens door to rate cuts ahead (Thu 30-Apr).
- Kiwi falls before dairy auction; weak results expected (Tue 05-May).
- NZ export commodity prices drop the most in more than 6 years (Mon 04-May).
- NZ wage inflation slows in Q1, adding to case for interest rate cut (Wed 06-May).

The kiwi declined as much as 1.1% versus the greenback after the RBNZ signalled it is not considering a rate hike and will cut borrowing costs instead should demand weaken and inflation settle fall short of levels consistent with the target. RBNZ left its policy interest rate unchanged at 3.50%, as expected. The RBNZ has now kept rates unchanged for six consecutive meetings. It added that "the appreciation in the exchange rate, while [New Zealand's] key export prices have been falling, is unwelcome".

ANZ said its April commodities price index drops 7.4% from March, when it rose 4.6%. The decline is biggest recorded since Oct 2008, with the slide led by dairy, which slumped 15.2% m/m. Commodity prices fall 15.3% y/y. Converting to NZ currency, commodity prices fall 8.9% m/m and 6.8% y/y. Ahead of the Tuesday ***GlobalDairyTrade*** fortnightly dairy auction, the kiwi declined as weak results were expected, said ANZ. The GDT price index dropped 3.6% on April 15 to lowest level this year.

NZ's wage inflation slowed in Q1 as an expanding labour market soaked up growing capacity, helping lift participation to a new record. Total labour costs rose 0.3% in Q1, slowing from 0.5% in Q4, for an annual increase at 1.7%. The RBNZ said it was monitoring wage and price-setting outcomes after inflation fell short of its expectations, prompting it to adopt a bias towards lowering interest rates. The kiwi plunged as traders speculated weak wage pressures would add to the case for an interest rate cut.