UOB 大華銀行

UOB WEALTH BANKING

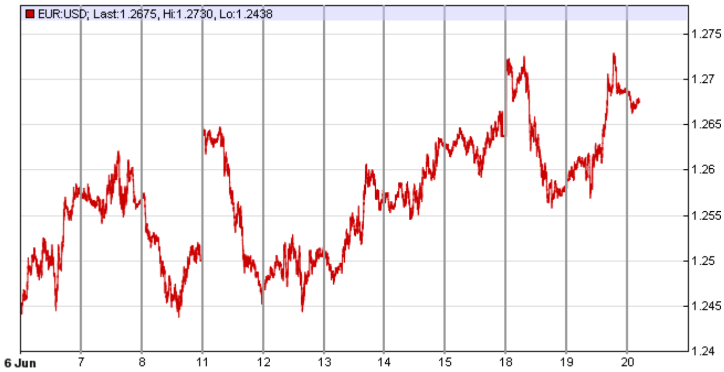
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 20 June 2012

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2850	1.2500
Spot Ref:	1.2675	
Tenor:	2 weeks	
Date:	20 Jun 2012	
Time:	11:30 hrs	
Resistance / Support:	1.2800	1.2580
Commentary:		



■ Greece: Staying alive in the Euro (Mon 18-Jun).
■ Spanish 10-year bond yields hit 7.16% over concerns it will need full bailout (Mon 18-Jun).
■ EC rules out new pact on Greek rescue package (Tue 19-Jun).
■ G20 backs Europe's overhaul to fight crisis (Wed 20-Jun).

Antonis Samaras' New Democracy party, which won the Greek election on 17-June (with 129 seats), is hammering out a three-way government committed to staying in the Euro. He would be partnering with Socialist Pasok (finishing third with 33 seats) and Democratic Left (finishing sixth with 17 seats). They would hold 179 seats in the 300-member parliament. Once a Greek government is formed, representatives of the Troika (EU, IMF and the ECB) will travel to Athens and evaluate any requests for changes in the bailout package for Greece.

On the bond markets, Spanish 10-Year bond yields set a fresh Euro-era high on Monday, hitting 7.16%. Yields on Italian 10-Year bonds also spiked, climbing back above 6%. Elsewhere in Europe, French president Francois Hollande – whose Socialists won a majority in Sunday's parliamentary elections – has sent fellow European leaders plans for a €120 billion "growth pact". Issues of growth versus austerity have not been solved, and troubles in both Spain and Italy will be closely scrutinised. Thursday's Spanish bond auction will also come in focus next.

The EC said it wants to work with a new Greek government to push through reforms and revive the economy but that there would be no new agreement with Greece on the terms of its €130 billion rescue package. Senior eurozone officials at well as the US have signalled support for a review of the conditions attached to Greece's international bailout, but the Commission insisted the plan agreed earlier this year could not be torn up.

Europe told a G20 summit it intends to work on concrete steps to integrate its banking sectors, a major step long pressed by the US and other nations to break the cycle of debt-laden countries bailing out their troubled banks which only pushes governments ever deeper into debt. IMF chief Christine Lagarde hailed the progress saying "the seeds of a pan-European recovery plan were planted".

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5850	1.5400
Spot Ref:	1.5720	
Tenor:	2 weeks	
Date:	20 Jun 2012	
Time:	11:30 hrs	
Resistance / Support:	1.5800	1.5400
Commentary:		

■ Office for National Statistics (ONS) – UK inflation rate drops to 2.8% in May; –0.1% m/m versus forecasts +0.1% m/m (Tue 19-Jun).
■ UK Retail Price Index flat in May against forecasts of +0.2% m/m (Tue 19-Jun).
■ Minutes of the Monetary Policy Committee (MPC) Meeting held on 6 & 7 June 2012 (Wed 20-Jun).

The Consumer Prices Index (CPI) measure fell to 2.8% in May from 3% in April, the ONS said, hitting a 2½ year low. Inflation has fallen from 5.2% last September due to the waning impact of the VAT rise in 2011 and falling energy, food and commodity prices. The fall in inflation was unexpected, as the consensus among economists was that the rate would be unchanged in May. However, analysts said price rises were likely to slow further in the coming months. The fall in CPI inflation increases the likelihood of more quantitative easing (QE) and analysts were expecting £50 billion more QE, with a possible 25 basis point rate cut. The UK Retail Price Index remained unchanged in May, following a 0.7% rise in April, National Statistics informed on Tuesday. Experts projected a +0.2% increase.

In the UK, the key event will be the release of the June 6-7 BoE MPC minutes. We expect that the latest minutes will reveal a unanimous decision to hold the official Bank Rate steady at 0.5%, but a wider split amongst members as to whether or not to restart the BoE asset buying programme. At least one more member, possibly Adam Posen is likely to have joined fellow member David Miles in requesting additional QE. Following last week's speeches by the Chancellor and the BoE Governor; as well as the latest inflation readings, markets are expecting more gilt purchases to be announced in July. The BoE has also announced its intention to offer GBP 5 billion in its first Extended Collateral Term Repo (ECTR) operation today. It will be conducted via variable rate auction, with the minimum bid spread set at 25bps above the Bank Rate.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0250	0.9950
Spot Ref:	1.0181	
Tenor:	2 weeks	
Date:	20 Jun 2012	
Time:	11:30 hrs	
Resistance / Support:	1.0200	1.0000

Commentary:

■ RBA scope for more supportive policy (Tue 19-Jun).
■ RBA: Case for June rate cut "Balanced" (Tue 19-Jun).
■ Goods imports rose 4%, adjusted, in May (Wed 20-Jun).

Minutes from the last RBA Board meeting released yesterday revealed that the decision to ease policy in June was "finely balanced", indicating the decision facing the Board was to leave rates unchanged or cut by 25bps. As read in the RBA minutes: "With inflation expected to remain in the lower part of the targeting range over the next year or so, members considered that there was scope for monetary policy to be a little more supportive of domestic activity. Members judged that a reduction in the cash rate of 25 basis points, combined with the earlier reductions, would mean that monetary policy would be providing a measure of stimulus that would be expected to flow through to the domestic economy over the coming months."

Imports of goods rose A$808 million, or 4%, between April and May. The seasonally adjusted figures from the Australian Bureau of Statistics (ABS) on Wednesday showed the value of imports in May was A$21.868 billion. The main contributor to the seasonally adjusted change was a 16% rise in imports of fuels and lubricants, lifting that category by A$492 million.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8050	0.7750
Spot Ref:	0.7954	
Tenor:	2 weeks	
Date:	20 Jun 2012	
Time:	11:30 hrs	
Resistance / Support:	0.8000	0.7800

Commentary:

■ NZ looks at 2%-3% growth for the next 2-3 years (Wed 13-Jun).
■ RBNZ leaves rates unchanged at 2.5% until next March (Thu 14-Jun).
■ NZ has scope to cut interest rates, PM says (Mon 18-Jun).
■ Deficit widens to NZ$9.7 billion in March year (Wed 20-Jun).

New Zealand is going through a phase of "grumpy growth" that could last another couple of years, with a strong currency hindering efforts to rebalance the economy, Finance Minister Bill English said. He earlier told the committee, which was reviewing last month's budget, that short-term growth would be driven by the country's relatively strong terms of trade and continued rebuilding after the earthquake in Christchurch in 2010.

RBNZ Governor Alan Bollard kept the official cash rate at 2.5% on June 14, and said the central bank is unlikely to raise borrowing costs until next year because of modest domestic growth and external risks stemming from European turmoil. Bollard, who steps down in September, sets monetary policy independently of the government.

New Zealand has scope to cut its benchmark interest rate if necessary to prevent a deep European recession from dragging the domestic economy into another downturn, Prime Minister John Key said. "The one thing that has been held up as an advantage for New Zealand is that we still have capacity when it comes to monetary policy", Key said at a news conference on Monday in Wellington. "That gives New Zealand a first lever to go to if there is a deeper global recession".

The falling value of dairy exports and a drop in spending by tourists after the Rugby World Cup have seen the current account deficit worsen by NZ$600 million to NZ$2.8 billion for the March quarter. For the year to March 31, New Zealand's current account deficit was NZ$9.7 billion. That takes the annual deficit back up to 4.8% of GDP according to latest Statistics NZ figures. The deficit was equal to 4% of GDP in the December year. The figures worsened as falling sales of dairy products, crude oil and fruit drove goods exports down, while imports of crude oil increased.