UOB 大華銀行

UOB WEALTH BANKING

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

Wednesday, 18 July 2012

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2400	1.2150
Spot Ref:	1.2294	
Tenor:	2 weeks	
Date:	18 Jul 2012	
Time:	11:10 hrs	
Resistance / Support:	1.2385	1.2200
Commentary:		

- EIB head: eurozone crisis will not end within two years (Sun 15-Jul).
- IMF cuts eurozone GDP growth forecast to 0.7% for 2013 (Mon 16-Jul).
- Energy cools eurozone inflation, imports stagnant (Mon 16-Jul).
- Nothing new from Bernanke; little new information (Tue 17-Jul).

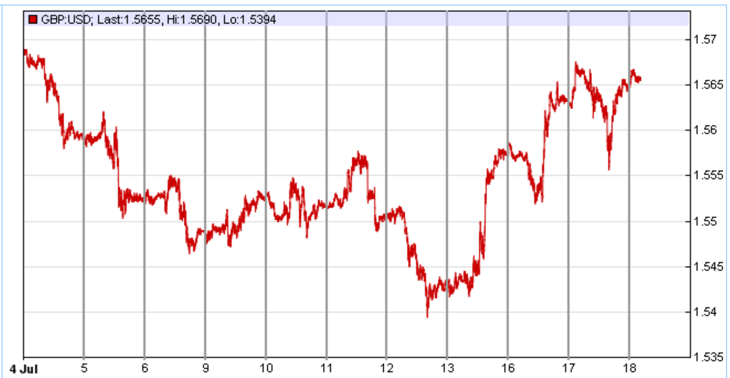
The head of the EIB said on Sunday he did not expect the eurozone to emerge from its debt crisis within the next two years. "The pressure on member states and on the EU itself to get their house in order will continue for a long time," Werner Hoyer told Germany's weekly Focus magazine. "This is not simply going to last one or two years."

The IMF slashed its global growth forecast and warned that the outlook could dim further if policymakers in Europe do not act with enough force and speed to quell their region's debt crisis. The IMF cut its 2013 forecast for global economic growth to 3.9% from the 4.1% it projected in April; but left its 2012 forecast unchanged at 3.5%. For the Eurozone, the IMF cut its growth forecast to 0.7% in 2013, but kept its projection of a 0.3% contraction this year.

A sharp fall in energy prices helped cool consumer prices in the eurozone in June and allowed the ECB to cut interest rates this month to a record low of 0.75% to try to revive the economy, but stagnant imports highlighted the depth of the downturn. CPI inflation in the 17-nation eurozone was 2.4% in June on annual basis, Eurostat said on Monday, and holding steady at a 16-month low. President Mario Draghi said last week that inflation in the eurozone is slowing faster than forecast.

Bernanke told the Senate Banking Committee the economic recovery was being held back by anxiety over Europe's debt crisis and the path of US fiscal policy, and he expressed unease over a stagnant jobs market. He also said the Fed remains in close contact with European authorities, and is focused on making sure the US financial system remains resilient to financial shocks; saying that "Europe's financial markets and economy remain under significant stress, with spillover effects on financial and economic conditions in the rest of the world, including the US". Some investors had hoped the Fed chief would signal that the central bank was moving close to a third round of bond purchases (QE3) to support the economy and they certainly did not get that. As for what that further action might be, Bernanke mentioned that "there are a range of possibilities and I don't want to, you know, give any signal that we're choosing one among the others".

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5750	1.5500
Spot Ref:	1.5658	
Tenor:	2 weeks	
Date:	18 Jul 2012	
Time:	11:10 hrs	
Resistance / Support:	1.5700	1.5540
Commentary:		



- IMF cuts UK growth forecasts for 2012 and 2013 (Mon 16-Jul).
- UK CPI inflation surprisingly falls to 31-month low of 2.4% in June (Tue 17-Jul).
- Release of July 4-5 BoE MPC minutes (scheduled for release Wed 18-Jul).

IMF reported on Monday that UK GDP this year would be 0.2%, down from a projected 0.8%, trailing expectations for France and Germany but leading Spain and Italy. For 2013, UK growth is expected to be 1.4%, down from the previous 2% forecast.

The rate of inflation in the UK fell to a 31-month low in June as record rainfall forced clothing retailers to bring forward their summer sales. The Consumer Price Index (CPI) measure of inflation, on which the Government's inflation target is based, fell to 2.4% in June, from 2.8% in May, the Office for National Statistics (ONS) said. Analysts had been expecting 2.7%. The drop will add weight to the BoE's decision earlier this month to pump more emergency cash into the economy through its quantitative easing programme. The steeper-than-expected fall is also likely to raise the likelihood of further emergency support later this year as the UK struggles with weak growth.

The key event will be the release of the minutes of the July 4-5 BoE MPC meeting on Wednesday. After expanding its asset purchase programme to £375 billion in July, the committee is likely to maintain a cautious outlook for the region. However, markets will be very interested in seeing the vote count as central bank officials soften their dovish tone for monetary policy.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0400	1.0150
Spot Ref:	1.0303	
Tenor:	2 weeks	
Date:	18 Jul 2012	
Time:	11:10 hrs	
Resistance / Support:	1.0385	1.0175

Commentary:

- RBA cites momentum for rate pause (Tue 17-Jul).
- Bernanke offers gloomy view but few new hints on easing (Tue 17-Jul).
- Westpac: Australian economy to keep improving (Wed 18-July).

In the minutes from its July 3 meeting, the RBA said improved economic data had convinced it to keep the cash rate on hold at 3.5%. It sounded less dovish than expected. The RBA saw more domestic growth momentum than previously thought when it held the rate unchanged at 3.5%. They affirmed also that inflation has been contained for now. RBA said the bank saw "no need" for a rate cut in July. With regards to China, RBA stated: "Data for May suggested that growth in the Chinese economy was not slowing to the extent that had been suggested by the weak data for April." The market will be reducing the chance for an August rate cut.

Federal Reserve Chairman Ben Bernanke on Tuesday offered a gloomy view of the economy's prospects, but provided few concrete clues on whether the US central bank was moving closer to a fresh round of monetary stimulus. The Fed chairman told lawmakers the central bank was considering a range of tools it could employ to help the economy but he hewed closely to the message of watchful waiting that the central bank's policy panel delivered in June. The Aussie dollar rebounded above the 1.0300 mark as minutes from the RBA's July 3 meeting proved to be more optimistic than markets were expecting and the US Fed offered a gloomy view and little commitment for a new round of QE stimulus.

Australian economic conditions are at their strongest in 10 months and are expected to improve as the central bank further stimulates the economy. The Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity three to nine months into the future, was at 1.6% in May, well below its long-term average of 2.6%. However, Westpac chief economist Bill Evans said the growth rate is the fastest since September 2011 and it will improve in the latter half of 2012 and into early 2013. The annualised growth rate of the Coincident Index, which indicates the rate of current economic activity, was 4.2%, well above its long-term trend of 3.1%.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8100	0.7850
Spot Ref:	0.7967	
Tenor:	2 weeks	
Date:	18 Jul 2012	
Time:	11:10 hrs	
Resistance / Support:	0.8065	0.7870

Commentary:

- Q2 Inflation lower than expected (Tue 17-Jul).
- Job ads show labour market improving (Wed 18-Jul).
- ANZ Business Micro Scope survey: Trades predict housing revival boost (Wed 18-Jul).

Falling milk, fruit and television prices, as well as cheaper cell phone services helped lower inflation to just 0.3% in the June quarter. That took annual inflation down to just 1.0%, the lowest level since 1999, at the bottom of the RBNZ's target band of 1%-3%. Low inflation will let the RBNZ keep official interest rates at extremely low levels, with the official cash rate expected to be on hold at 2.5% until next year. Inflation fell a little over 4% during the past 12 months, and after today's inflation data, it seems that the RBNZ may feel the need to take steps (in the form of rate cuts or open market operations to increase the money supply) to increase inflationary pressures in NZ, and that could weigh on the Kiwi currency. The next RBNZ rate decision is set for July 25, and after today's inflation numbers, it will likely be an event to watch closely.

The number of job vacancies advertised online fell in June but that's against the overall recent upward trend. The latest Jobs Online report from the Ministry of Business, Innovation and Employment shows skilled job vacancies fell by a seasonally adjusted 2.1% in June compared to May, and total online job vacancies fell by 4.5%. Over the past year, however, growth in job vacancies online has been positive with skilled job vacancies 7.5% higher than a year ago and total job vacancies up by 6.7%.

Builders, plumbers, electricians and gas-fitters are all expecting a record boost from a revival in the housing market as historically low mortgage rates breathe new life into the property market. That's according to the latest quarterly ANZ Business Micro Scope survey of small businesses in New Zealand, which showed firms in the construction sector were the most confident of those surveyed. Home building expectations were at their highest level since relevant data was first collected in December 1999.