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

Wednesday, 23 April 2014

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3900	1.3700
Spot Ref:	1.3817	
Tenor:	2 weeks	
Date:	23 Apr 2014	
Time:	11:35 hrs	
Resistance / Support:	1.3890	1.3712
Commentary:		

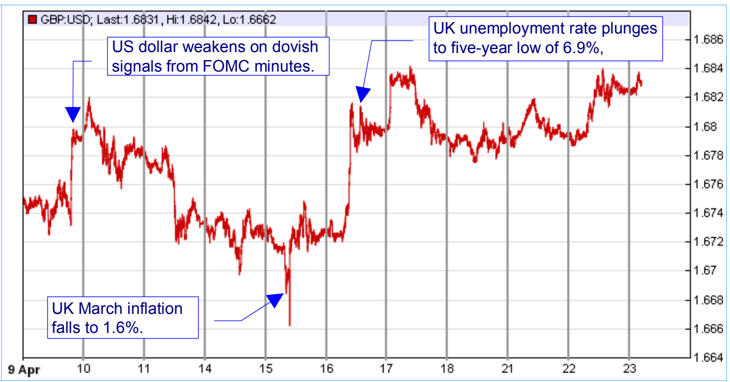
- Eurozone current account surplus fell in February after record high (Wed 16-Apr).
- Eurozone April consumer confidence unexpectedly increases (Tue 22-Apr).
- Draghi eyes Ukraine effect as ECB tackles low inflation (Tue 22-Apr).
- Eyes on ECB President Mario Draghi's speech in Amsterdam (on Thu 24-Apr).

The eurozone's current-account surplus fell in February, moving off of a record high, data published last Wednesday by the ECB showed. The current-account balance fell in adjusted terms to €21.9 billion in February, after an upwardly revised €25.4 billion in January, which is a record high. In February, the bloc's trade in goods recorded a surplus of €15.8 billion, after €15.7 billion in January. The surplus in services narrowed slightly in February to €11.3 billion from €11.5 billion. For the twelve-month period that ended in February 2014, the surplus equalled 2.6% of the eurozone's GDP, higher than the 1.6% in the twelve months that ended in February 2013. This increase likely signals that countries in the eurozone are adjusting their economies to become more oriented toward exports and away from domestically consumed imports.

Eurozone consumer confidence unexpectedly increased to the highest in 6½ years in April, after the unemployment rate retreated from a record and recovery gained momentum. The eurozone household confidence index rose to minus 8.7, the highest since October 2007, from minus 9.3 in March, better than a forecast of minus 9.3.

Mario Draghi can look for clues from eurozone companies this week on whether the region needs more stimulus to counter economic risks from low inflation to geopolitical tension. PMI data due today are forecast to show growth in manufacturing activity holding at the weakest pace this year. A territorial dispute between Russia and Ukraine, which supply much of Europe's energy, is undermining confidence in a recovery already threatened by a strengthening currency and subdued pricing power.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6950	1.6700
Spot Ref:	1.6831	
Tenor:	2 weeks	
Date:	23 Apr 2014	
Time:	11:35 hrs	
Resistance / Support:	1.6843	1.6720
Commentary:		



- UK unemployment rate plunges to 5-year low of 6.9% headline (Wed 16-Apr).
- Bullish GBP/USD outlook to gather pace on hawkish BoE minutes (Thu 17-Apr).
- Minutes of BoE MPC meeting held on 9-10 April (due Wed 23-Apr, 16:30hrs SGT).
- UK wages starting to outpace inflation soon (Wed 16-Apr).
- UK government able to make £7 billion of tax cuts before election (Mon 21-Apr).

Britain's unemployment rate unexpectedly dropped in the quarter to February, reviving speculation the BoE will start raising interest rates earlier than it has signalled. A fall in the single month unemployment rate from 7.4% in November to 6.6% in February was enough to push the headline *3mMA* rate down to 6.9%. The claimant count total fell by a further 30k, taking the cumulative fall in unemployment to 470k over two years. Employment too provided a positive surprise, rising by 239k over the past quarter.

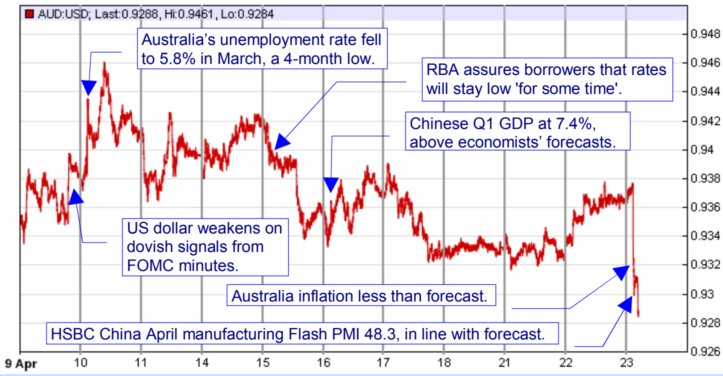
Last Wednesday's data showed total pay growth picked up to 1.7% in the quarter to February, matching the increase in consumer prices in the month of February alone. It was the first time since April 2010 that pay growth had not lagged the CPI. Excluding bonuses, pay growth still lagged inflation at 1.4% in the quarter to February. There were signs that pay will start to outpace the CPI soon. In the month of February, total growth in weekly earnings was 1.9%, while in March consumer prices rose 1.6%.

The stronger recovery in the UK may raise the BoE's scope to raise the benchmark interest rate ahead of schedule as rising home prices paired with the pickup in real wage growth raises the threat for inflation; the BoE may do little to halt the on-going appreciation in the Pound as it helps the MPC achieve the 2% target for price growth.

Chancellor George Osborne could afford to give away £7 billion in tax cuts before the next general election – thanks to the UK's growing economy, experts say. Forecasters also estimate household disposable income will rise, and that voters will be £165 a year better off than they are now by the time the May 2015 poll comes around. Douglas McWilliams of the CEBR said the recovery could give the Chancellor "rather more scope" for cutting taxes in next spring's Budget than once assumed.

When the BoE publishes the minutes of the April meeting later today, this should once again reveal unanimous backing for the decisions taken to maintain the Bank Rate at 0.5% and keep the programme of asset purchases paused at £375 billion. In terms of data releases this week, the key focus will be on March public sector finance figures; the CBI distributive trades survey for April; as well as March retail sales figures.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9450	0.9250
Spot Ref:	0.9288	
Tenor:	2 weeks	
Date:	23 Apr 2014	
Time:	11:35 hrs	
Resistance / Support:	0.9452	0.9250
Commentary:		



- Chinese economy slows, Q1 GDP at 7.4%, result above consensus (Wed 16-Apr).
- HSBC China Flash manufacturing PMI at 48.3; in line with forecast (Wed 23-Apr).
- Australian Q1 CPI inflation rise less than forecast; Aussie drops (Wed 23-Apr).
- China manufacturing gauge signals weakness persists in economy (Wed 23-Apr).

Chinese GDP growth has slowed to 7.4% annual rate in Q1 from 7.7% in Q4, but beat forecasts of 7.3% growth. That pushed the Aussie slightly higher, from US 93.5 cents to just over US 93.7 cents immediately after. China's investment in fixed assets and industrial output were both below expectations. Australian businesses are going to have to adapt to take advantage of the new areas of demand as China's economy rebalances away from export-oriented manufacturing to more domestic consumption.

Australia's core consumer prices gained less than economists forecast in Q1, giving the RBA room to extend a period of steady interest rates. The trimmed mean gauge of core prices rose 0.5% from the previous quarter, the ABS said today, compared with the median forecast for a 0.7% gain. The CPI advanced 0.6% from the previous quarter, compared with a 0.8% median estimate. The Aussie fell as investors bet RBA Governor Glenn Stevens will leave the benchmark rate at a record-low 2.5% for an extended period. The RBA has reduced borrowing costs by 2.25% since late-2011 as the Aussie's strength dragged on growth and a mining investment boom crested.

A Chinese manufacturing gauge signalled a fourth month of contraction, indicating that government efforts to counter an economic slowdown have had only a limited impact. The flash PMI from HSBC and Markit was 48.3 in April, matching the median estimate of analysts surveyed by Bloomberg News. While that was higher than the final March figure of 48, the reading remains below the level of 50 that is the dividing line between expansion and contraction. Sustained weakness in manufacturing would pressure Premier Li Keqiang to expand efforts to support growth beyond what some analysts have dubbed a "mini stimulus" package of railway spending and tax relief.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8750	0.8500
Spot Ref:	0.8599	
Tenor:	2 weeks	
Date:	23 Apr 2014	
Time:	11:35 hrs	
Resistance / Support:	0.8730	0.8514
Commentary:		

- NZ economy set to crash, says expert: Forbes website (Thu 17-Apr).
- NZ April consumer confidence rises 1.5 points to 133.5 (Thu 17-Apr).
- PM Key says Christchurch rebuild is gaining momentum (Thu 17-Apr).
- RBNZ expected to raise interest rates to 3% (due on Thu 24-Apr, 05:00hrs SGT).

Auckland's sizzling property market could bring New Zealand's economy crashing down, a global economic expert warns. Jesse Colombo, one of the few experts to warn of the Global Financial Crisis last decade, warns New Zealand's economic bubble is about to burst in an article on the respected Forbes website. He says the so-called "rock star" economy is actually in dire trouble, adding that NZ residential property and the Kiwi dollar are significantly over-valued and will inevitably implode.

Jesse Colombo warned that NZ has the fourth worst household debt-to-GDP ratio among advanced economies, surpassing even the US. This month, the average Auckland house price was NZ$697,454 — up from NZ$340,000 in 2004. In the past year, there has been a 12% increase in house prices. Commentators say homeowners should focus on paying off their mortgages, and assess their ability to meet repayments if rates rise. Floating rate mortgages are around 5.5% to 6% and could rise to 7.5%.

NZ PM John Key in a speech to Canterbury Employers Chamber of Commerce, says that the Government's total contribution to rebuild Christchurch now expected to be around NZ$15 billion, of which NZ$7.3 billion is from EQC net of reinsurance proceeds. His speech outlined rebuilding done and how it is driving the economy.

NZ consumer confidence rose in April as Kiwis became more confident about their own financial position, giving them greater enthusiasm for buying major household items. The ANZ-Roy Morgan consumer confidence index rose to 133.5 this month, from 132 in March. The current conditions rose to 130.3 from 125.7 and the future conditions index eased to 135.8 from 136.2. ANZ Bank New Zealand chief economist Cameron Bagrie says the economy is expanding rapidly.

All eyes will quickly turn to the RBNZ meeting on Thursday, which will see the major central bank in action. Markets are expecting the RBNZ to hike the policy rate further by 0.25% to 3%. Following tomorrow's RBNZ meeting, the next one will be due on 12 June as there will be no meeting in May,

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