



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

Wednesday, 08 July 2015

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1150	1.0850
Spot Ref:	1.1009	
Tenor:	2 weeks	
Date:	08 Jul 2015	
Time:	12:40 hrs	
Resistance / Support:	1.1138	1.0852

Commentary:

- Greeks vote "NO" to austerity, setting up euro showdown (Mon 06-Jul).
- Greece must meet Sunday deadline to reform or face euro exit (Tue 07-Jul).
- Greek finance minister resigns in concession to creditors (Mon 06-Jul).
- EU Commission has 'Grexit' scenario prepared, Juncker says (Tue 07-Jul).

Greeks voted "NO" in Sunday's referendum with a final tally at 61.31% after voters overwhelmingly rejected demands by international creditors for more austerity measures in exchange for a bailout of its bankrupt economy. Early trading on Asian markets indicated investors were alarmed, as stock indexes fell. It was a decisive victory for Prime Minister Alexis Tsipras, who had gambled the future of his 5-month-old coalition government and his country in an all-or-nothing game of brinkmanship with Greece's creditors from other European countries, the IMF and the ECB. German Chancellor Angela Merkel was to meet with French leader Francois Hollande in Paris on Monday.

Greece's finance minister resigned Monday in what appeared to be a concession by Prime Minister Alexis Tsipras to international creditors after his resounding victory in a historic bailout referendum. The euro rose after Varoufakis's announcement, which was expected to renew hopes that the creditors could be persuaded back to the negotiating table despite the country's decisive rejection of the reforms they were demanding in return for the release of a final tranche of bailout funds.

European leaders set a Sunday deadline for Greece to accept a rescue, saying otherwise they'll take the unprecedented step of propelling Greece out. At a Brussels summit, Tsipras was ordered to make new economic reform proposals (by Friday 8:30am European time) that could earn it another aid package and head off financial ruin.

Greece's creditors have prepared a blueprint to remove the indebted nation from the 19-nation euro currency, an unprecedented move after failing for five months to agree on an aid bailout. "The commission is prepared for everything", EC President Jean-Claude Juncker said after a meeting of eurozone leaders in Brussels. "We have a Grexit scenario, prepared in detail. I'm strongly against Grexit but I can't prevent it if the Greek government is not doing what we expect the Greek government to do..."

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5700	1.5300
Spot Ref:	1.5440	
Tenor:	2 weeks	
Date:	08 Jul 2015	
Time:	12:40 hrs	
Resistance / Support:	1.5690	1.5300

Commentary:

- UK private-sector growth falls to 6-month low in June - CBI (Mon 06-Jul).
- UK industrial production rises, but manufacturing output continued to fall (Tue 07-Jul).
- Chancellor Osborne says he has found £12 billion of welfare cuts (Mon 06-Jul).
- June 2015 UK NIESR GDP estimate 0.7% versus 0.6% prior (Tue 07-Jul).

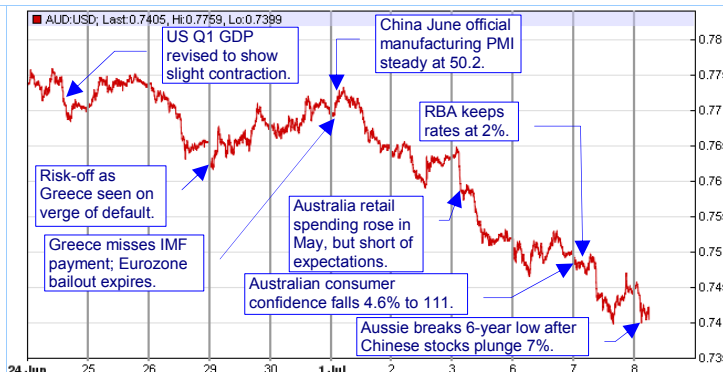
Growth in Britain's private sector eased to its lowest level since the end of last year during Q2, although optimism among companies surged. The CBI said on Saturday its monthly growth indicator -- based on separate surveys of manufacturers, retailers and services -- fell to +14 in June, its lowest since December, from +33 in May. While manufacturing growth ticked up, the pace of expansion in services companies comprising the bulk of Britain's private sector rowed back from a more than nine-year high in the three months to May. Despite June's slowdown, output expectations for the next three months rose to their highest level since last August.

Chancellor George Osborne said he had found all £12 billion of welfare cuts he needs as part of his plan to balance the current budget by 2017/18, speaking ahead of his budget speech on Wednesday. The budget is PM David Cameron's Conservatives' 'clearest chance in almost two decades to remould Britain into a low-tax, small-state economy after an unexpectedly decisive election victory handed Osborne a mandate to make deep cuts. "We have found that £12 billion of savings in welfare that we said we'd be able to find," Osborne said on BBC, without giving details. "We've got to have a welfare system that is fair to those who need it, but also fair to those who pay for it".

Industrial production rose 0.4% in May, helped by a 7.3% rise in oil and gas output and higher mining output. However, manufacturing continued to lag behind, falling by 0.6% last month after a fall of 0.4% in April. Manufacturers have struggled against the strength of the pound and weak demand in European markets. Compared with a year earlier, industrial output rose by 2.1%, the strongest annual growth since April of last year, and manufacturing was up 1.0%.

The June NIESR GDP from UK expanded 0.7% up from 0.6% in May. NIESR sees a tick up in Q2 GDP and expects the BoE to start raising rates early in 2016. They also see annual growth of 2.7% for 2015 versus 2.5% in May. George Osborne is expected to announce more help for manufacturers in his Budget announcement today.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.7650 0.7250
 Spot Ref: 0.7405
 Tenor: 2 weeks
 Date: 08 Jul 2015
 Time: 12:40 hrs
 Resistance / Support: 0.7658 0.7242
 Commentary:



- Australia retail spending rose in May, but short of expectations (Fri 03-Jul).
- RBA keeps interest rates on hold at 2% (Tue 07-Jul).
- Aussie breaks 6-year low after Chinese stocks plunge 7% (Wed 08-Jul).
- Australian consumer confidence falls 4.6% to 111 (Tue 07-Jul).
- Pressure on Aussie as Iron ore prices fall below US\$ 50 per tonne (Wed 08-Jul).

Australian retail spending rose 0.3% in May, which was short of economists' expectations of a 0.5% rise. It was an improvement on April's 0.1% slide, which was the first fall since May last year. Total retail spending was A\$24.155 billion in May, up from A\$24.089 billion in April, the ABS said on Friday.

Economic turbulence in Greece and China was blamed for the ANZ-Roy Morgan consumer confidence index which fell 4.6% to 111 in the week to July 5, reversing gains made since May's Australian federal budget. ANZ chief economist Warren Hogan said turmoil in global financial markets was to blame. "Australians appear acutely aware of the threats posed to economic stability by both the Greek crisis and China's equity market collapse", Hogan said.

The RBA has kept interest rates on hold in July at a record low of 2.0%. The RBA's decision was in line with economists' expectations and it is widely believed the bank will refrain from cutting rates again this year. Although the Aussie has readjusted to lower levels (even plunging to new five-year lows of 0.7452 on 06-Jul due to the increased threat of a Grexit and the failure of Beijing to control its stock markets), the RBA reiterated that "further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices". **UOB's view is that RBA will remain on hold for the rest of 2015 but the wildcards would be Greece and China.**

Iron ore prices have plunged below US\$50 a tonne for the first time in nearly three months, heaping more pressure on Australian miners. The spot price for Australia's biggest export plunged US\$2.70, or 5.1%, to US\$49.60 a tonne on Tuesday. It was the ninth day of falls in a row and marks the commodity's lowest level since mid-April. The price has fallen more than 30% in 2015 and is a long way from the US\$180-plus a tonne prices of 2011. Investors were fretting about oversupply in the steelmaking commodity and near-term growth prospects for China, the biggest destination for Australian iron ore. Analysts predict a fall to below US\$40 a tonne in the next year or two.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.6800 0.6550
 Spot Ref: 0.6649
 Tenor: 2 weeks
 Date: 08 Jul 2015
 Time: 12:40 hrs
 Resistance / Support: 0.6787 0.6586
 Commentary:



- NZ job market growing despite lower business confidence (Fri 03-Jul).
- NZ PM shrugs off worries about economy (Tue 07-Jul).
- NZ economy doesn't need fiscal stimulus yet, PM Key says (Mon 06-Jul).
- NZ government posts operating surplus of NZ\$1.17 billion (Wed 08-Jul).

Despite waning employment confidence according to Westpac, *Trade Me Jobs* continues to see healthy signs in the NZ employment market. Head of *Trade Me Jobs*, Peter Osborne said it was great to see Kiwis continuing to have so many opportunities and options in the job market. "While some gloss may be coming off the economy, the job market's shown signs of healthy persistence this quarter. We saw more than 58,000 listings onsite in Q2, up more than 5% on Q2 of last year.

NZ's economy is still fairly robust and doesn't need increased government spending to give it a kickstart, Prime Minister John Key says. The government is ready to provide support to the economy if it starts showing signs of slowing, but Key doesn't think it's there yet, he said. Key said the government would be ready to stand behind the economy if necessary, which would probably come in the form of infrastructure spending as that provides immediate stimulus with long-term growth benefits. Mr Key has rejected suggestions from ANZ economists that things are getting so bad the Government will need to spend more money to stimulate the economy.

The NZ government's latest accounts show a surplus of more than NZ\$1 billion, raising the prospect that the 2014/15 budget will balance after all. The accounts for the 11 months to the end of May, released on Wednesday, show an operating surplus of NZ\$1.17b compared with Treasury's predicted NZ\$193 million surplus. It's the second straight month of operating surplus - at the end of June there was a turnaround NZ\$448m surplus against Treasury's predicted deficit of NZ\$555m. The May budget forecast a NZ\$684 million deficit for the full financial year after the government had promised a surplus, and they faced a torrent of opposition criticism.



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