



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

Wednesday, 15 July 2015

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1250	1.0900
Spot Ref:	1.1006	
Tenor:	2 weeks	
Date:	15 Jul 2015	
Time:	11:35 hrs	
Resistance / Support:	1.1253	1.0902

Commentary:

- US dollar slides after dovish sounding FOMC Minutes (Wed 08-Jul).
- An "aGreekmoment" as Alexis Tsipras accepts €86 billion bailout (Mon 13-Jul).

The minutes from its 16-17 June 2015 US FOMC meeting showed that policy makers "saw economic conditions as continuing to approach those consistent with warranting a start to the normalization of the stance of monetary policy" but there remains hesitation to make the decision to normalise rates as all but one FOMC member "indicated that they would need to see more evidence that economic growth was sufficiently strong". Market's key takeaway is that the Fed is positive but still cautious about the US economic & jobs recovery, domestic price developments and also on external developments, resulting in a cautious approach to raising interest rates **[Dovish]**.

A rise in exports saw Germany's trade balance hit its highest surplus on record in May, a sign that rising foreign demand is underpinning economic growth in Germany. Germany's trade surplus, adjusted for seasonal swings and calendar effects, swelled to €22.8 billion in May from a revised €21.5 billion in April. That was the highest surplus since records began in January 1991, and well above forecasts of €20.3 billion. Exports in May jumped 1.7% from the preceding month, while imports rose 0.4%.

Greece has agreed to tough reforms on Monday after marathon talks lasting 17 hours with eurozone leaders in return for a 3-year bailout from the ESM worth up to €86 billion. However, the deal still needs to be approved by the Greek parliament first, before going to other national parliaments for approval. It seems that Tsipras has gotten some of what he wanted, namely the restructuring of Greek debt. However, Merkel has ruled out on nominal haircuts, adding that the Eurogroup is only ready to consider extending the maturity on Greek loans. The next 3 days will be very crucial. But a Grexit from the eurozone might just have been kicked down the road again.

The US consumer fell back in June as US retail sales unexpectedly declined -0.3%/m in June while the growth in May was revised lower to 1%/m, dashing hopes for a more robust Q2 improvement in spending to boost GDP rebound.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5750	1.5400
Spot Ref:	1.5642	
Tenor:	2 weeks	
Date:	15 Jul 2015	
Time:	11:35 hrs	
Resistance / Support:	1.5763	1.5387

Commentary:

- UK surveyors report biggest house price rises in almost a year (Thu 09-Jul).
- UK retail sales growth strengthens in June (Tue 14-Jul).

British house prices rose at their fastest rate in a year, making the cost of buying a home "ever more unaffordable". The RICS said its monthly house price balance jumped to +40 in June from +34 in May, the highest since July 2014. Cheaper mortgages and strong job markets in London and central England were driving demand from buyers, while the number of people looking to sell remained static. RICS said that house prices and rents were likely to rise significantly faster than wages over the medium term.

The BoE had voted to leave its main interest rate at a record-low 0.50% in the face of low inflation and steady growth. The nine-member MPC also maintained the level of cash stimulus pumping around the British economy at £375 billion. Reasons behind the widely-expected decisions will be contained in minutes of the regular policy meeting due for release on July 22. The government last Wednesday forecast that Britain's economy was expected to grow by 2.4% this year, down from a prior estimate of 2.5%.

British retail sales saw some of their strongest annual growth in the past two years last month, boosted by warm weather at the end of the month and an early start to summer sales. The BRC said total spending in June was 2.9% up on the year, the strongest month since January 2014 if distortions due to the timing of Easter are stripped out. Sales on a like-for-like basis, which adjusts for changes in floor space, were up by 1.8%. This was also the highest non-Easter reading since January 2014.

BoE Governor Mark Carney and policy maker David Miles flagged the prospect of earlier-than-anticipated UK rate increases as the economy improves. In testimony to lawmakers, Carney said the time for the benchmark interest rate to rise from a record low is "moving closer". Hours later, MPC member Miles said "the time to start normalization is soon; that is not something to shrink from".

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.7650 0.7350
 Spot Ref: 0.7473
 Tenor: 2 weeks
 Date: 15 Jul 2015
 Time: 11:35 hrs
 Resistance / Support: 0.7622 0.7349
 Commentary:



- Australia employment proves surprisingly resilient in June (Thu 09-Jul).
- Melbourne drives latest house price boom (Mon 13-Jul).
- Australian consumer confidence hits seven-month low: Westpac (Wed 15-Jul).
- China consumer inflation edges up to 1.4% in June (Thu 09-Jul).
- Greece, China impact to be minimal: Hockey (Tue 14-Jul).
- China Q2 GDP rose 7.0% on-year, same as Q1 (Wed 15-Jul).

Australian employment defied expectations and rose for a second month in June to suggest the labour market was on the mend, a sliver of bright news amid the global gloom over China and Greece. Thursday's data from the ABS showed 7,300 new jobs were added in June, when analysts had forecast a drop of 5,000 as payback to May's 39,900 jump. The jobless rate ticked up to 6.0% from a one-year low of 5.9%, but again was under forecasts. The detail was also upbeat with a solid 24,500 gain in full-time jobs and an increase in hours worked. Investors are still wagering the RBA will have to ease again given recent steep falls in the value of resource exports.

China consumer prices edged up in June, but wholesale prices remained entrenched in deflation, a sign of continued slack in its economy. The CPI rose 1.4% in June from a year ago, beating expectations of a 1.3% rise and following a 1.2% rise in May. The PPI slid 4.8%, worse than forecasts for a 4.5% fall and after a 4.6% decline in May. This marks its 39th consecutive month of declines, suggesting that overcapacity remains a serious problem and the process of deleveraging has a long way to go.

The Australian property market is still booming, with prices powering ahead after the usual May and June lull. Annual growth nationwide is strongest in Sydney at 16.6%, and Melbourne at 10.0% from a year ago. But price gains since the market bottomed in May have been strongest in Melbourne - up 7.7%; compared with 5.2% in Sydney.

Australian Treasurer Joe Hockey has sought to soothe concerns over the problems facing Greece and China, saying they will have minimal impact on Australia. His assurances came as consumer confidence fell heavily for a second week in a row, reeling to its lowest level in a year. He said it was a reminder of the need to be prepared for unexpected events in a volatile global economy. "There's a salient lesson here not just for Australia, but for everyone, that if you don't undertake the necessary reforms to get your house in order when you can, then ultimately the pain will be much more significant further down the track", he told reporters in Canberra on Tuesday.

Consumer confidence has sagged to its lowest level in 7 months due largely to concerns about China's stockmarket and Greece's debt woes. The Westpac/Melbourne Institute index showed consumer sentiment fell by 3.2% in July, after dropping 6.9% in June. The monthly index now sits at 92.2, its lowest point since December 2014. The data comes after ANZ-Roy Morgan's weekly consumer confidence index slipped to its lowest level in a year, also citing anxiety about China's stockmarket and Greek debt.

China's GDP expanded 7.0% year-on-year in Q2, official data showed today, beating expectations for 6.8% but with weak investment and trade dragging on the world's second-largest economy. The figure matched the 7.0% expansion in Q1 and is in line with the government's official target for GDP growth this year of "about 7.0%".

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.6800 0.6600
 Spot Ref: 0.6708
 Tenor: 2 weeks
 Date: 15 Jul 2015
 Time: 11:35 hrs
 Resistance / Support: 0.6784 0.6634
 Commentary:



- Auckland property prices have increased 10x faster than rest of NZ (Wed 15-Jul).
- NZ dairy futures signal further slump at Global Auction (Wed 15-Jul).

Rebounding house prices since then, particularly in Auckland, have been making it harder for people to get their own homes. Property prices in Auckland have risen at 10 times the rate of anywhere else in the country. The average asking price on Auckland properties has increased by more than NZ\$130,000 to NZ\$834,300 in the last year, the June Trade Me Property index showed. The average asking price for property outside of Auckland increased by just NZ\$13,950 to NZ\$404,550.

NZ whole milk powder futures have extended declines ahead of today's GlobalDairyTrade auction. September futures traded at US\$1,870 a metric ton and have dropped 11% since the previous auction on July 2. Falling dairy prices add to signs that RBNZ Governor Graeme Wheeler will cut the OCR for a second time at his next decision on July 23. The RBNZ on June 11 cut the rate to 3.25%, noting that weaker prospects for dairy prices will slow income growth and delay inflation returning to its 2% target.



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