



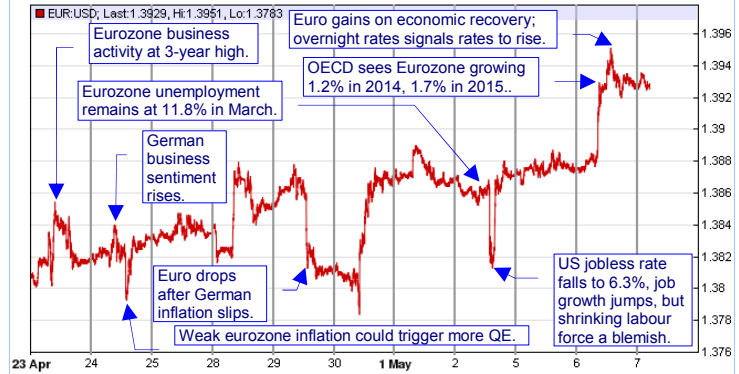
UOB Personal Financial Services  
Deposits, Investments & Insurance Strategy  
Research & Product Advisory

Wednesday, 07 May 2014

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.4000	1.3750
Spot Ref:	1.3929	
Tenor:	2 weeks	
Date:	07 May 2014	
Time:	11:45 hrs	
Resistance / Support:	1.3995	1.3758
Commentary:		



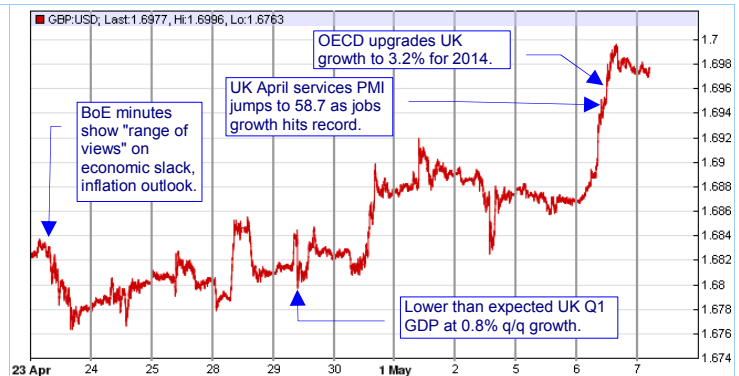
- Eurozone unemployment rate remains elevated at 11.8% in March (Fri 02-May).
- US jobless rate falls to 6.3%, but shrinking labour force a blemish (Fri 02-May)..
- Draghi grapples with Money Markets showing revival too soon (Tue 06-May).
- Euro at 7-week high as overnight rates signal rates to rise (Tue 06-May).

Unemployment in the eurozone eased to 11.8% in March, according to Eurostat on Friday, with small signs of improvement in Greece's high jobless rate. Some 18.91 million people remained unemployed in the 18-member eurozone in March, down 22,000 from the February level and 316,000 from a year earlier. That is slightly down from the record 12% level a year ago, while the 11.8% reading was the same as in February. The February reading was revised down by Eurostat from 11.9% earlier. Joblessness has been stuck at almost 19 million people for the last four months and shows the human impact of the worst financial crisis in a generation, but it also varies widely across the euro zone. Austrian and German unemployment levels were around 5% in March, compared to almost 13% in Italy and about 25% in Spain.

US employers hired workers at the fastest clip in more than two years in April, pointing to a rebound in economic growth after a dreadful winter and keeping the Federal Reserve on track to end bond purchases this year. The brightening outlook was, however, tempered somewhat by a sharp increase in the number of people dropping out of the labour force, which pushed the unemployment rate to a 5½-year low of 6.3%. Wage growth also was stagnant. Nonfarm payrolls surged 288,000 last month, the largest gain since January 2012 and beat economists' expectations for only a 210,000 rise. The labour force participation rate, or the share of working-age Americans who are employed or unemployed but looking for a job, also fell 0.4% to 62.8% last month, slipping back to a 36-year low touched in December.

Mario Draghi may need to take action to stop money-market investors getting ahead of themselves. For the first time since 2008, overnight interbank rates are starting to exceed the ECB's benchmark interest rate, signalling a return to pre-crisis behaviour even as the economy remains fragile. That's testing the ECB president's promise that officials are ready to respond to any unwarranted monetary tightening. The euro climbed to a 7-week high against the dollar on signs economies are gathering strength.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.7050	1.6800
Spot Ref:	1.6977	
Tenor:	2 weeks	
Date:	07 May 2014	
Time:	11:45 hrs	
Resistance / Support:	1.7031	1.6817
Commentary:		



- David Miles, MPC member, says rates need to return to normal levels (Thu 01-May).
- UK April services PMI jumps to 58.7 as jobs growth hits record (Tue 06-May).
- OECD warns housing boom risks overheating UK economy (Tue 06-May).
- OECD raises UK GDP forecasts to 3.2% in 2014 and 2.7% in 2015 (Tue 06-May).

David Miles, a member of the BoE Monetary Policy Committee, said in an Interview on BBC Radio 4 that "at some point we need to get bank rate back up to more normal levels. It's certainly unusual and abnormal where we are at the moment."

In a further sign that the UK's economic recovery continues to strengthen, activity in the key services sector expanded at the fastest pace so far this year, while jobs growth across the private sector surged. Markit/CIPS's monthly services PMI beat expectations and rose to 58.7 in April, the highest level since December 2013 and up from 57.6 in March. When combined with the manufacturing and construction PMIs, released last week, the all-sector PMI that measures activity across the UK's private sector suggests GDP growth of 0.8% q/q. This is the latest upbeat survey pointing to a buoyant UK economy and is likely to put pressure on the BoE's policy discussions.

The services PMI was boosted by another increase in new business, similar to that reported in March, while jobs growth also rose—the PMIs indicate 100,000 jobs were created across the whole private sector in April, the highest level in the 16-year history of the surveys. The UK economic recovery shows no signs of running out of steam, and growth could even accelerate further in the second quarter.

The OECD raised its GDP forecasts for the UK economy for this year and next and expects firm household spending, a pick-up in investment and accommodative monetary policies to drive growth. In a set of projections and comments on the UK that largely match those of the BoE, the OECD said Tuesday that it forecasts UK GDP at 3.2% this year and 2.7% next, up from November estimates of 2.4% and 2.5% respectively. The BoE, in its May Quarterly Inflation Report, put growth at 3.4% this year and 2.7% next. The OECD also gave its approval to the second phase of the BoE's forward guidance and its decision to withdraw cheap funding for mortgages.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9450 0.9200  
 Spot Ref: 0.9347  
 Tenor: 2 weeks  
 Date: 07 May 2014  
 Time: 11:45 hrs  
 Resistance / Support: 0.9432 0.9236  
 Commentary:



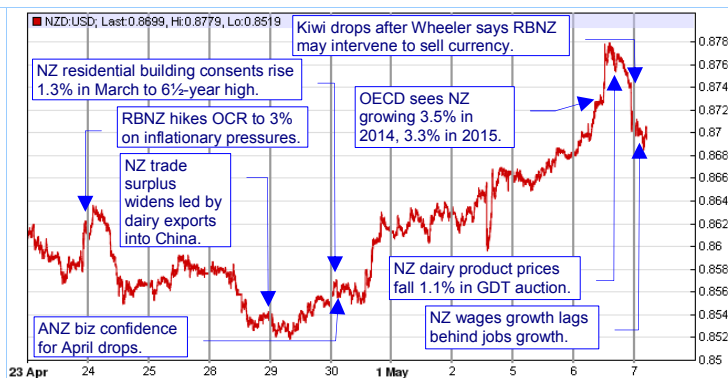
- China HSBC manufacturing PMI for April at 48.1, expected 48.4. (Mon 05-May).
- RBA leaves rates unchanged for May (Tue 06-May).
- Australian trade surplus narrows in March, below expectations (Tue 06-May).
- Australian jobless rate may edge up to 5.9% (due Thu 08-May, 09:30hrs SGT).

For the 6th month in a row, China HSBC Manufacturing PMI missed expectations. With a 48.1 print for April (versus 48.3 flash) this is a modest rise from March's 48.0 but is the 4th month in a row of contraction for the broader-based HSBC-version of the PMI. This is the longest streak of contraction since Oct 2012 (and the 3rd consecutive month of new order contraction) as employment drops for the 6th month in a row. Most worrying new export orders dropped further showing no signs of a US-driven pick-up post-weather. Worse still, home sales in China in the most recent (most frenetic typically) period, collapsed 47% year-over-year (and a stunning 65% in tier-2 cities).

A fall in mining exports has seen Australia's trade surplus narrow in March, coming in well below a downwardly revised result in the previous month and analyst expectations. According to figures from the ABS, the nation's trade surplus for March was a seasonally adjusted A\$731 million. This represents a 42% narrowing on the February surplus which was upwardly revised to a seasonally adjusted A\$1.257 billion. The February surplus was initially reported as a seasonally adjusted A\$1.2 billion. Economists surveyed by Bloomberg were expecting a trade surplus of A\$1bn in March. During the month, exports fell 2%, while imports were flat.

The RBA has left the OCR for May unchanged from a record low level of 2.50%, ahead of the federal government's budget announcement on May 13. Financial markets widely expected the RBA to leave rates on hold for the month. The RBA last cut the cash rate in August. Whether interest rates will go up or down this year could depend on the severity of the May budget. Treasurer Joe Hockey has warned that Australians should expect "tough love". RBA chief Glenn Stevens has delivered an upbeat assessment of the Australian economy, but he has also warned that strong long-term growth will not be achieved simply by manipulating interest rates or exchange rates.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8800 0.8500  
 Spot Ref: 0.8699  
 Tenor: 2 weeks  
 Date: 07 May 2014  
 Time: 11:45 hrs  
 Resistance / Support: 0.8805 0.8532  
 Commentary:



- Dairy product prices fall 1.1% in GlobalDairyTrade auction (Tue 06-May).
- NZ jobless rate stays at 6% as participation swells to record (Wed 07-May).
- Kiwi falls after Wheeler says RBNZ may intervene to sell currency (Wed 07-May).
- NZ wages growth lags behind jobs growth (Wed 07-May).

Dairy product prices recorded their sixth straight decline in the latest GlobalDairyTrade (GDT) auction, returning to levels of a year ago and adding to expectations Fonterra Cooperative Group will trim its forecast for a record milk payout. The GDT price index fell 1.1% to US\$3,950 a tonne, from US\$4,047 a tonne two weeks ago, the lowest since February 2013. Some 38,174 tonnes of product was sold, up from 36,549 tonnes at the previous auction.

The kiwi dollar dropped half a cent after RBNZ governor Graeme Wheeler said the bank may sell the currency should it remain high while export prices weaken. The kiwi fell as low as 86.95 US cents, from 87.41 cents immediately before the 9:30am (NZT) release of the speech, and was recently trading at 87.15 cents. Overnight, the kiwi dollar touched 87.79 US cents, the highest level since its post-float high in August 2011 of 88.40 cents. The trade weighted index touched a record 81.21 overnight and was recently trading at 80.68. However, Wheeler today signalled rate rises may not be as regular as previously assumed if the exchange rate remains strong.

NZ's unemployment rate was unchanged in Q1 as the country's participation rate rose to a record, with faster-than-expected jobs growth that was fuelled by increases in the primary, manufacturing and construction sectors. The jobless rate stayed at 6% in Q1, according to StatsNZ's household labour force survey, above the forecast 5.9%. The participation rate rose 0.4% to a record high 69.3%, and ahead of the 68.8% forecast. Employment grew 0.9% in the quarter, ahead of the 0.6% predicted, and was up 3.7% on the year. The number of hours worked rose 2.7% to a seasonally adjusted 78.16 million hours in the quarter, and were up an annual 3.3%.

The kiwi fell further after the Q1 labour market data showed strong jobs growth wasn't matched by the pace of wages, meaning employment isn't a source of inflation that would speed RBNZ's interest rate hikes. The labour cost index which measures wage inflation rose 0.4% q/q across all sectors including overtime for an annual lift of 1.6%.



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