



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1200	1.0900
Spot Ref:	1.1075	
Tenor:	2 weeks	
Date:	12 Aug 2015	
Time:	15:00 hrs	
Resistance / Support:	1.1157	1.0903
Commentary:		



- Eurozone's July business growth exceeds expectations: PMI (Wed 05-Aug).
- Greece, lenders clinch bailout deal after marathon talks (Tue 11-Aug).
- Solid US jobs report bolsters case for Fed rate hike (Fri 07-Aug).
- Sharp drop in German investor sentiment in August: ZEW (Tue 11-Aug).

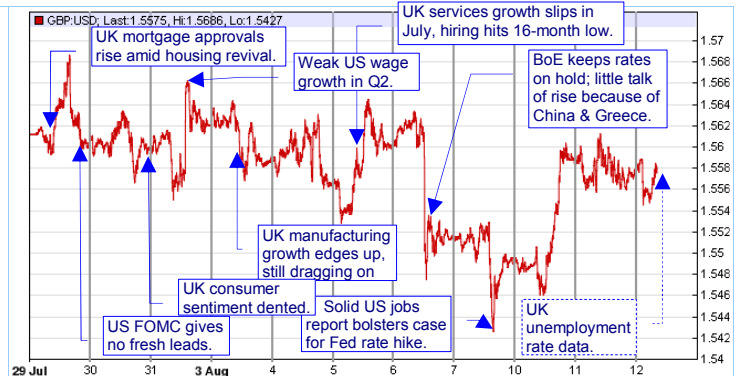
Eurozone business growth accelerated at the end of last month as companies largely put the Greek debt crisis behind them, suggesting the bloc's economic recovery is on track. With conditions and sentiment improving in the bloc after the deal, Markit's July final Composite PMI beat an earlier estimate of 53.7, settling at 53.9. That was shy of June's four-year high of 54.2, but the index has now been above the 50 mark that separates growth from contraction since mid-2013.

US employment rose at a solid clip in July and wages rebounded after a surprise stall in June, signs of an improving economy that open the door wider for a Fed rate rise in September. Nonfarm payrolls increased 215,000 in July as gains in construction and manufacturing jobs offset further declines in the mining sector. The unemployment rate held at a 7-year low of 5.3%. Payrolls data for May and June were revised to show 14,000 more jobs created. The average workweek increased to 34.6 hours from 34.5 hours in June. Average hourly wages increased 0.2% after being flat in June. Economists had forecast nonfarm payrolls increasing 223,000 and wages rising 0.2%.

Greece and its international lenders clinched a multi-billion-euro bailout agreement on Tuesday after marathon talks through the night, officials said, raising hopes aid can be disbursed in time for a €3.2 billion debt repayment to the ECB due 20-Aug. After a 23-hour session that began Monday afternoon, exhausted Greek officials emerged to announce the two sides had agreed details of the deal though a couple of minor issues remained to be ironed out. "Finally, we have white smoke", a finance ministry official said. "An agreement has been reached. Some minor details are being discussed right now". The pact is expected to be worth €86 billion in fresh loans.

Germany's ZEW survey recorded a further modest decline in optimism in August hitting its lowest level since November last year even as the Euroarea wide ZEW rebounded partially from the decline seen in July. The ZEW expectations survey was up 4.9pts to 47.6 in August whilst the ZEW current macroeconomic condition index was up 4.1pts to -10.3 in August.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5700	1.5400
Spot Ref:	1.5575	
Tenor:	2 weeks	
Date:	12 Aug 2015	
Time:	15:00 hrs	
Resistance / Support:	1.5701	1.5461
Commentary:		



- UK services growth slips in July, hiring hits 16-month low (Wed 05-Aug).
- UK July food sales soggy after BBQs rained off - BRC (Tue 11-Jul).
- BoE rates unchanged; little talk of rise because of China & Greece (Thu 06-Aug).
- UK 3-month unemployment rate (due on Wed 12-Aug, 16:30hrs SGT).

Growth in British services companies slowed more than expected in July as hiring eased to its slowest pace since March 2014, suggesting the economic recovery weakened as it entered Q3. The Markit/CIPS services PMI fell to 57.4 in July from 58.5 in June, below forecast for 58.0 but still indicating expansion. The services employment index sank to a 16-month low in July, adding to tentative signs the labour market has started to moderate following a strong two-year run.

UK interest rates have been held at 0.5% again by the BoE's MPC. Members voted 8-1 to keep rates on hold - the first time for months the decision has not been unanimous, with Ian McCafferty voting for an increase. In its latest Inflation Report, the BoE said the outlook for inflation was "muted", leading some economists to say a rate rise could now be delayed. However, BoE governor Mark Carney said a rise was "drawing closer". The BoE said a collapsing stock market in China and continuing talks over Greece's debts mean the outlook for global growth was muted, but it expected inflation to be back to its 2% target in two years' time.

The UK's BRC retail monitor reported a 1.2% y/y rise in like-for-like sales in July, down from 1.8% in June but slightly above forecast of 1%. Total sales rose 2.2% y/y, down from 2.9% y/y previously. Food sales suffered a rare fall after wetter weather than in 2014 knocked spending on barbecue items, but spending on furniture and other household goods grew strongly, which the BRC attributed to a continued rise in house prices.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.7450 0.7150  
 Spot Ref: 0.7261  
 Tenor: 2 weeks  
 Date: 12 Aug 2015  
 Time: 15:00 hrs  
 Resistance / Support: 0.7402 0.7185  
 Commentary:



- Rise in job seekers pushes Australian jobless rate up to 6.3% (Thu 06-Aug).
- Australia business confidence and conditions drop on China jitters. (Tue 11-Aug).
- RBA's upbeat quarterly statement on monetary policy (Fri 07-Aug).
- Aussie drop after China cuts Yuan reference rate by record 1.9% (Tue 11-Aug).

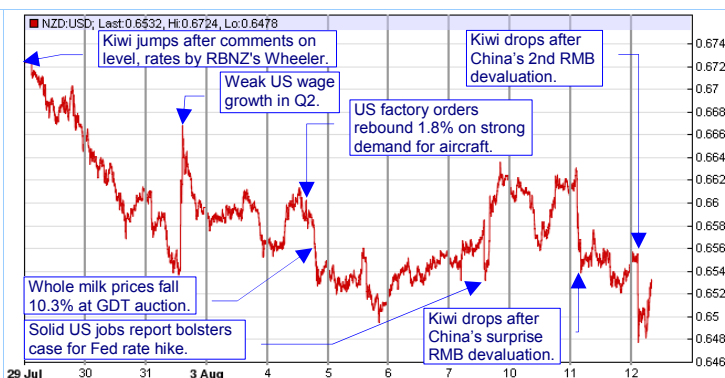
Australia's unemployment rate unexpectedly jumped to a six-month high of 6.3% in July, pushed up by a surge in the number of people looking for work. The total number of people with jobs rose 38,500 in the month, after a rise of 7,000 in June. Markets were only expecting a rise of 10,000 jobs. The participation rate, which refers to the number of people either employed or actively looking for work, rose to 65.1% from 64.8% in June.

In its quarterly statement on monetary policy, the RBA said that the indicators of economic conditions have been more positive over recent months, jobs data has improved while non-mining business conditions are 'clearly above average'. It raised its forecasts for inflation to 2.5% over the next 2 years. However, it downgraded growth forecasts for the year to June 2016 to 2-3%, from 2.5-3.5%. It reiterated the potential for future interest rate will remain unchanged and stated that it would "adjust policy as needed".

Australian business confidence and conditions have dropped back from recent strong gains, with Chinese economic jitters believed to be a key concern. National Australia Bank's widely-watched monthly business survey shows that business confidence halved from +8 to +4, while conditions fell from +10 to +6. The fall in conditions was driven by a steep decline in 'trading' from a very high reading of +19 in June to a still-strong +11 in July, while profitability fell from +10 to +7. While confidence eased in most industries, much of the change stemmed from mining and construction firms (which includes a large share of non-residential and engineering firms), suggesting an escalation in Chinese growth concerns could be putting firms on alert. Conditions vary greatly across industries, but the service sectors continue to outperform.

The Aussie slid after China, its key trading partner, cut the reference rate for the RMB by a record 1.9% on Tuesday and a further 1.6% on Wednesday amid signs of a deepening slowdown in the Chinese economy, sparking fears that the world's second largest economy is in worse shape than investors believed.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.6700 0.6400  
 Spot Ref: 0.6532  
 Tenor: 2 weeks  
 Date: 12 Aug 2015  
 Time: 15:00 hrs  
 Resistance / Support: 0.6676 0.6450  
 Commentary:



- China's July exports slump 8%, raises pressure for more stimulus (Sat 08-Aug).
- NZ dollar falls after China's surprise currency devaluation (Tue 11-Aug).
- ANZ inflation gauge points to non-tradable inflation below 2% (Tue 11-Aug).
- China stuns financial markets by devaluing RMB for 2nd day (Wed 12-Aug).

Data released at the weekend showed that China's exports tumbled 8.3% in July, hit by weaker demand from three huge trading partners - Europe, the United States and Japan. It was their biggest drop in four months and far worse than expected, reinforcing expectations that Beijing will be forced to roll out more stimulus to support its economy. Economists had forecast exports to fall just 1%, after a 2.8% uptick in June. Imports fell 8.1%, compared with forecasts for an 8% drop, after a 6.1% decline in June, though these falls also reflected weaker commodity prices. China recorded a trade surplus of US\$43.03 billion for the month, below forecasts of US\$53.25 billion.

ANZ Monthly Inflation Gauge posted a 0.3% increase in July. This is the highest monthly rise since February, but is typical for the month of July. On a rolling three-month basis, the gauge is up just 0.1%, suggesting Q3 non-tradable CPI is on track for another moderate quarterly print and the first sub 2% annual print in 14 years. The ANZ report highlighted that low inflation and sub-trend growth suggest further interest rate cuts by RBNZ are warranted.

The kiwi dollar has taken a big fall after China's central bank unexpectedly devalued its tightly controlled currency by 1.9% and 1.6% against the greenback in 2 days. The Chinese devaluation was seen as an attempt to help support Chinese exports, which slumped 8.3% last month. China is the world's second largest economy and is a critical market for both NZ and Australia. China was NZ's top export market in the June quarter, with sales worth NZ\$2.2 billion, just ahead of Australia. But in the June year, NZ's exports to China crashed almost 30%, as dairy prices collapsed. Subdued demand in China is driving down prices across a range of global commodities, including dairy products, which also face a glut of supply. The devaluation in China had taken the market by surprise, with talk of a possible cut by the RBNZ in September.



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