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# Weekly FX Focus

## 30 August - 03 September 2010

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Most of the market action last Friday was revolved around the revisions to the Q2 US GDP report, as well as Fed Chairman Bernanke's address at the KC Fed's Jackson Hole Conference. The DJIA rose 164.84 points (1.65%), to 10150.65, following the better-than-expected revised 2Q GDP number as well as the ensuing Bernanke's speech which had no surprises but in general portrayed a positive outlook.

The coming one is also event-filled, especially with Friday's NFP release which could drive volatility. The consensus currently is for a 100k fall in the headline number, with 47k rise in the private sector. Markets expect to see a rise in the unemployment rate to 9.6% from 9.5%. It will also be important to watch the usual string of economic data releases leading up to the result. Other calendar highlights will include conference board consumer confidence results, minutes from the most recent FOMC meeting, the ADP employment change data, and later-week new and pending home sales reports. All in all, the fragile state of the US economy and its consequences for the greenback will remain the focus for FX markets.

Week Ahead at a Glance		
	Direction	View
EUR/USD	↓	An uneven performance was seen in the EUR/USD although prices saw support in the latter part of the week as risk aversion returned. This week, the top event will be Thursday's ECB rate decision. Whilst no changes to the benchmark rate are expected, markets will be keeping a close eye on Trichet's comments at the conference. Following that, the German unemployment change, Eurozone consumer inflation estimate, unemployment rate, 2Q GDP revision and a slew of confidence indicators will dictate price action in the EUR/USD pair. Slip of 1.2680 will expose deeper pullback and target deeper support at 1.2580; lift above 1.2815 will set bulls on firmer footing towards 1.2930.
GBP/USD	↔	GBP/USD ended the week on a strong note as well. An upward revision in the UK GDP reading provided some support. Markets are expressing concerns that once the recovery takes hold, soaring inflation could threaten longer-term growth, and this may mean that the central bank may be forced to begin tightening sooner than they want. Risk trends will continue to drive the GBP going forward. On the domestic front, we look out for further clues on economic fundamentals through the release of the manufacturing PMI for August, mortgage approvals and consumer credit data. Looking for GBP/USD to trade the trend but will need another big leg up to hit the 1.5600-resistance level. Major support for the currency pair seen at 1.5350.
AUD/USD	↓	The risk-sensitive AUD/USD rose to as high as 0.8999 in the week that passed. Going from here, some risks to the downside if markets were to scale back speculation for a rate hike in September. Furthermore, concerns budding from results of the Federal election may continue to drag on the economic outlook and weigh on the AUD/USD pair. Last weekend's election appeared to deliver a hung Parliament for the first time since 1940. The exact result will not be known for a week or two until the final count is available (there are apparently still plenty of votes to be counted and how these fall will help determine where the current Government or the Coalition have the best prospects of forming a stable government). In the meantime, negotiations between the two major parties and the independent and green party member whose support will be needed to stitch together a government will continue apace. Nevertheless, the economic docket for the following week is expected to continue painting an improved outlook for future growth. The biggest market mover of the week will certainly be the 2Q GDP report, which is forecasted to show a 0.9% rise in the growth rate. Apart from that, retail spending, building approvals and trade numbers are slated for release. We could see some range-bound action in the AUD/USD on the back of the aforementioned factors. Range of 0.8850-0.9100 eyed.
NZD/USD	↓	Given that the NZD/USD had moved in line with equities and risk sentiment, price action was unsurprisingly choppy. Going forward, apart from the general financial market risk appetite, it seems that markets have aggressively downgraded their forecasts of RBNZ interest rate hikes, and that should weigh on the NZD/USD. Next support comes in by 0.7050, which guards against the next support level at 0.7000. In the interim, any intraday rallies should be well capped ahead of 0.7150.
USD/SGD	↔	Some uncertainty will reign this week, as the focus falls on the health of Asia's manufacturing sector- a gauge of whether the region's growth pace is slowing. Aug PMI data out later this week for export-oriented economies China, Taiwan, South Korea and Singapore might show some easing, as the impact from the European debt crisis and US' slowdown starts to hit. SGD NEER is hovering around 2.0% above the midpoint, and should move in a range of around 1.5-2.0% above the midpoint, translating to a range of 1.3542-1.3608 for the USD/SGD pair.

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