

30 July 2012

The comments represented in this publication are made on the basis of a 2 – 4 week outlook

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Get set

- Stronger market expectations of further monetary easing by major central banks have been a key driver in currency markets
- Monetary policy meetings by the US Fed (Aug 1), the ECB (Aug 2) and the BoE (Aug 2) will be key. We recognise the risk that markets may be disappointed

EUR-USD

- We remain bearish on EUR-USD after it broke below the 1.21 level last week. The larger corrective decline is expected to target 1.208

USD-JPY

- We turn bullish on USD-JPY (from being bearish) given the pair's oversold conditions and proximity to key support

AUD-USD

- We remain bullish on AUD-USD given the encouraging move higher. We have extended our target level to 1.07, from 1.05 earlier

USD-SGD

- We turn neutral on USD-SGD (from being bearish) as technical indicators are divergent. A pullback to the initial resistance of 1.257 is likely after last week's sharp fall

USD-ZAR**

- We remain bearish on USD-ZAR. Minor pullbacks remain possible, but we expect the decline to test the 7.78 - 8.00 range.

XAU-USD**

- We remain neutral on XAU-USD as technical signals remain divergent. The break above 1600 is likely to push prices to the higher end of the 1550 – 1650 range

**Going forward, we will maintain the EUR, JPY, AUD and SGD outlook while rotating the others based on relevance.

USD still resilient

DXY and ADXY Indices



Source: Bloomberg, Standard Chartered

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Technicals*	Short term (2-4 weeks)	Secondary Support	Primary Support	Spot	Primary Resistance	Secondary Resistance
EUR-USD	Bearish	1.182	1.208	1.229	1.239	1.262
USD-JPY	Bullish	77.00	78.05	78.35	79.20	80.00
AUD-USD	Bullish	1.017	1.025	1.046	1.052	1.070
USD-SGD	Neutral	1.232	1.244	1.247	1.257	1.265
USD-ZAR	Bearish	7.780	8.000	8.190	8.310	8.500
XAU-USD	Neutral	1450	1560	1622	1650	1720



EUR – USD

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Neutral
Stochastic	Neutral
MACD	Bearish
ADX	Bearish
Momentum	Neutral

We remain bearish on EUR-USD after it broke below the 1.21 level last week. The larger corrective decline is expected to target 1.208

KEY LEVELS	Levels	Importance
Secondary resistance	1.262	Strong
Primary resistance	1.239	Strong
Spot	1.229	
Primary support	1.208	Neutral
Secondary support	1.182	Neural

FORECASTS	SCB	Consensus
Q4 2012	1.22	1.23
Q1 2013	1.25	1.24
Q2 2013	1.25	1.24
Q3 2013	1.28	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

Performance

- EUR-USD rose 1.36% over the past week on strong market expectations that the European Central Bank (ECB) would likely announce measures on Aug 2 to contain the Euro area debt crisis.

Technical analysis

- Major technical indicators are neutral to bearish.
- The EUR-USD recovered above the psychological 1.22 level last week after dropping below 1.21.
- The recovery appears to be a result of oversold conditions and we doubt its sustainability. We continue to view the current recovery as only a pullback to the larger corrective decline, which is estimated to target the 1.208 level.
- We would review our outlook if we get a multi-week close above 1.239.

Key signposts

- The ECB's monetary policy meeting on Aug 2 is key. Any announcement to ease monetary policy further and/or to contain the Euro area debt crisis would likely result in a short bounce in the EUR due to a short period of optimism and short covering of EUR positions.
- The outcome of the US Fed monetary policy decision on Aug 1 is also key in terms of the signalling by the monetary policy statement for further monetary easing by the US Fed
- EU Manufacturing PMI (Aug 1), retail sales (Aug 3) and EU Composite PMI (Aug 3) are important economic data releases impacting the EUR.

We remain bearish on the EUR

Technical Analysis: EUR-USD



Source: Bloomberg, Standard Chartered



USD - JPY

We turn bullish on USD-JPY (from being bearish) given the pairs oversold conditions and the proximity to key support

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Neutral
Stochastics	Bullish
MACD	Bearish
ADX	Neutral
Momentum	Neutral

KEY LEVELS	Levels	Importance
Secondary resistance	80.00	Strong
Primary resistance	79.20	Neutral
Spot	78.35	
Primary support	78.05	Strong
Secondary support	77.00	Neutral

FORECASTS	SCB	Consensus
Q4 2012	82	78
Q1 2013	83	78
Q2 2013	84	78
Q3 2013	85	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

Performance

- USD-JPY declined marginally (0.04%) over the past week on lower demand for safe-haven currencies given the optimism over market expectations of further monetary easing by the ECB.
- The contraction in Japan's inflation rate in June to -0.2% y/y (from 0.2% in the previous month) has fuelled speculation that the Bank of Japan (BoJ) is likely to expand its monetary policy stimulus effort further.

Technical Analysis

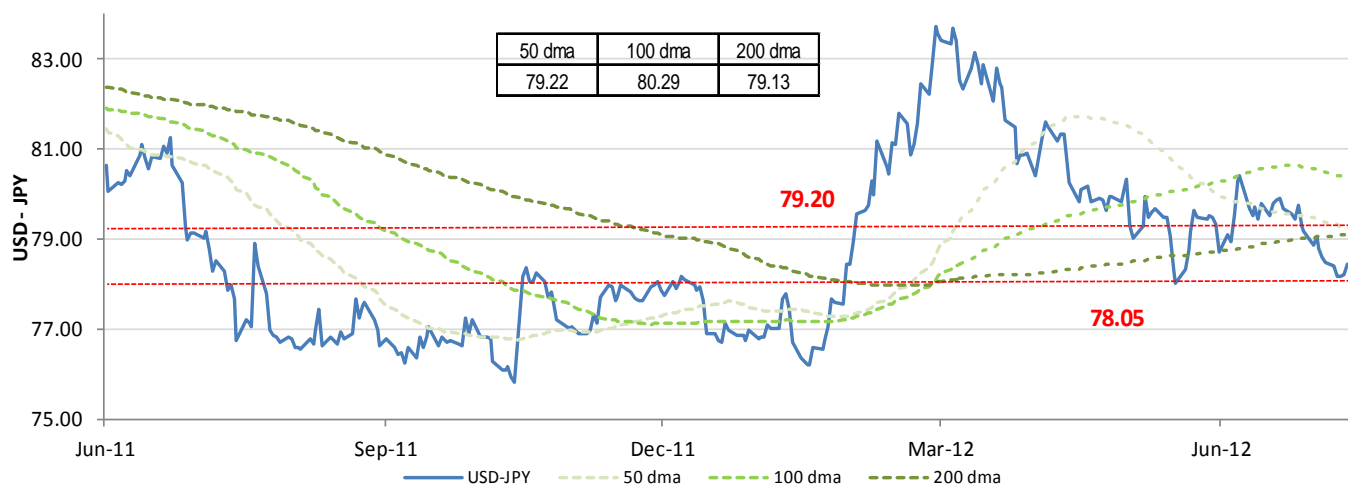
- Major technical indicators are divergent.
- The USD-JPY ended on a flat note last week, signalling some indecisiveness.
- We are bullish on USD-JPY due to the oversold conditions and the proximity of the pair to key support.
- We would review our outlook we get a weekly close below 77.

Key signposts

- The Fed statement on Aug 1 is key. Signals of further easing by the US Fed would be bearish for USD-JPY.
- The Japanese Markit/ JMMMA manufacturing PMI (31 July) and Japan's jobless rate (31 July) are important data releases impacting the JPY.

USD-JPY expected to bounce

Technical Analysis: USD-JPY



Source: Bloomberg, Standard Chartered



AUD - USD

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Bullish
Stochastic	Bearish
MACD	Bullish
ADX	Bullish
Momentum	Bullish

We remain bullish on AUD-USD given the encouraging move higher. We have extended the key focus target level to 1.07, from 1.05 earlier

KEY LEVELS	Levels	Importance
Secondary resistance	1.070	Strong
Primary resistance	1.052	Strong
Spot	1.046	
Primary support	1.025	Strong
Secondary support	1.017	Strong

FORECASTS	SCB	Consensus
Q4 2012	1.03	1.00
Q1 2013	1.03	1.02
Q2 2013	1.04	1.02
Q3 2013	1.05	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

Performance

- AUD-USD rose 1.01% over the last week on stronger market expectations of further monetary easing by major central banks, especially from the ECB.

Technical Analysis

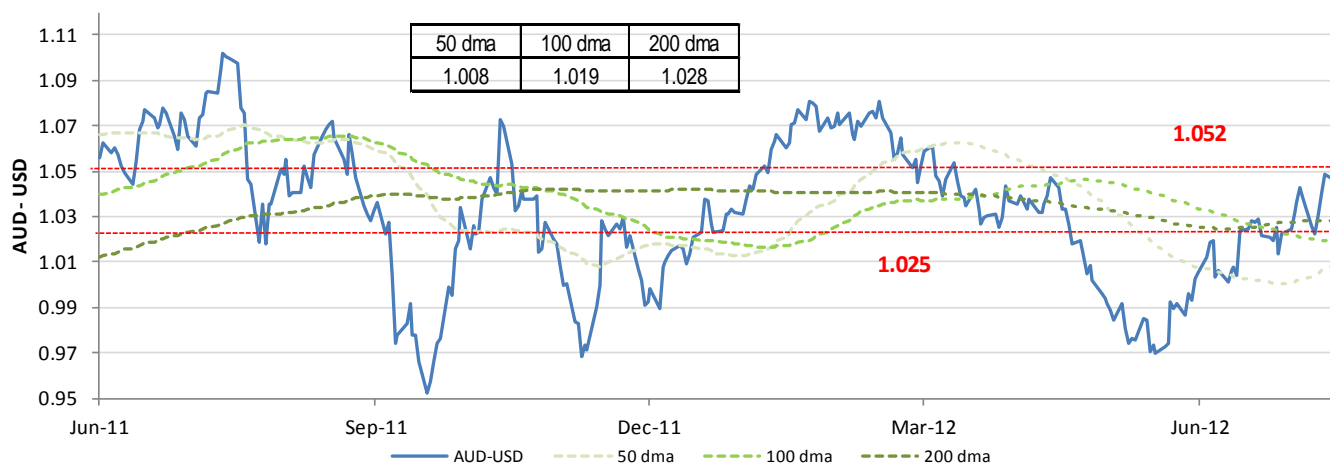
- Major technical indicators are bullish.
- The pattern of the up move so far, with minor corrections, has been encouraging. In light of this, we have extended the key focus target level to 1.07 (from 1.05 earlier).
- We would review our outlook if we get a weekly close below primary support of 1.017.

Key signposts

- Any indicators supporting further monetary stimulus would likely be positive for AUD-USD.
- The Reserve Bank of Australia (RBA) is scheduled to hold its monetary policy meeting on Aug 7. No change is expected.
- Australia's private sector credit growth (July 31), RBA's commodity price index (Aug 1) and Australia's trade balance (Aug 2) data are also likely to impact the AUD.

Further upside to the AUD is likely

Technical Analysis: AUD-USD



Source: Bloomberg, Standard Chartered



USD - SGD

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Neutral
Stochastic	Bullish
MACD	Bearish
ADX	Bearish
Momentum	Neutral

KEY LEVELS	Levels	Importance
Secondary resistance	1.265	Neutral
Primary resistance	1.257	Neutral
Spot	1.247	
Primary support	1.244	Strong
Secondary support	1.232	Strong

FORECASTS	SCB	Consensus
Q4 2012	1.24	1.25
Q1 2013	1.22	1.24
Q2 2013	1.23	1.22
Q3 2013	1.21	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

We turn neutral on USD-SGD (from being bearish) as technical indicators are divergent. A pullback to the initial resistance of 1.257 is likely after last week's sharp fall

Performance

- USD-SGD declined 0.68% over the last week on expectations that improving economic growth in Singapore would likely give the Monetary Authority of Singapore (MAS) greater flexibility in tackling inflation.
- The Standard Chartered SGD NEER has continued to trade in the stronger part of the estimated policy band, as expected.

Technical Analysis

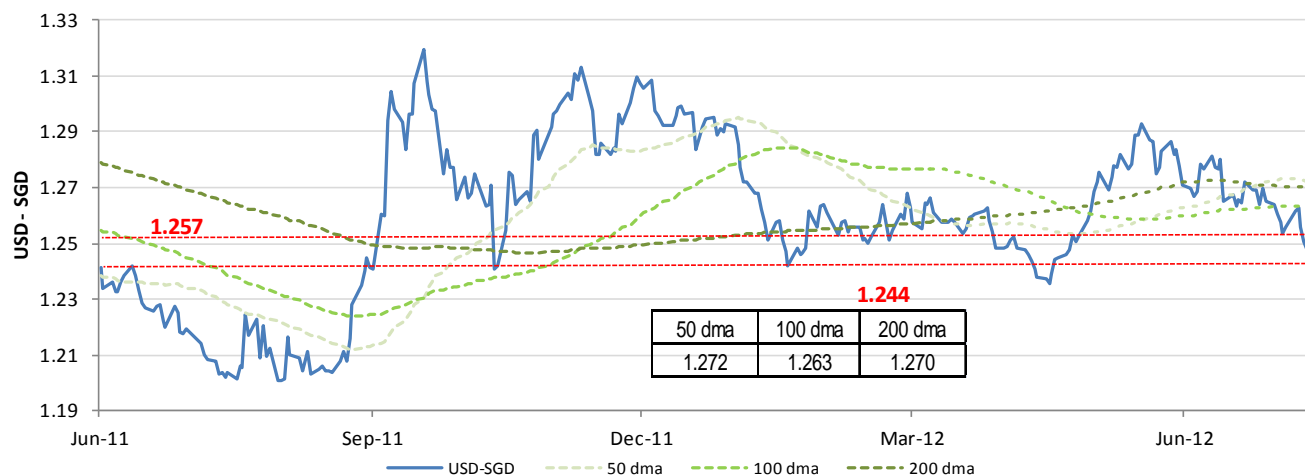
- Major technical indicators are divergent.
- Last week, the pair slipped close to the initial strong support of 1.240, which had cushioned the fall on three previous attempts. We expect a pullback to initial resistance of 1.257 considering the sharp fall in the previous week.
- We would review our outlook if the pair ends the week below 1.232.

Key signposts

- Positive economic data in Singapore would likely be bearish for the pair, as improving economic growth would give the MAS flexibility to tackle elevated levels of inflation.
- We expect the MAS to keep its current policy stance of gradual SGD appreciation unchanged at its next monetary policy announcement in October.
- Singapore's Electronic Sector index and Purchasing Managers Index data on Aug 1 are key.

USD-SGD at strong support level

Technical Analysis: USD-SGD



Source: Bloomberg, Standard Chartered



USD-ZAR

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Bearish
Stochastic	Neutral
MACD	Bearish
ADX	Bullish
Momentum	Bearish

KEY LEVELS	Levels	Importance
Secondary resistance	8.50	Strong
Primary resistance	8.31	Neutral
Spot	8.190	
Primary support	8.00	Neutral
Secondary support	7.78	Strong

FORECASTS	SCB	Consensus
Q4 2012	8.20	8.10
Q1 2013	8.00	7.86
Q2 2013	7.90	7.80
Q3 2013	7.80	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

We remain bearish on USD-ZAR. Minor pullbacks remain possible, but we expect the decline to test the 7.78 - 8.00 range

Performance

- USD-ZAR declined 1.57% over the last week on stronger expectations of further monetary easing by major central banks.

Technical Analysis

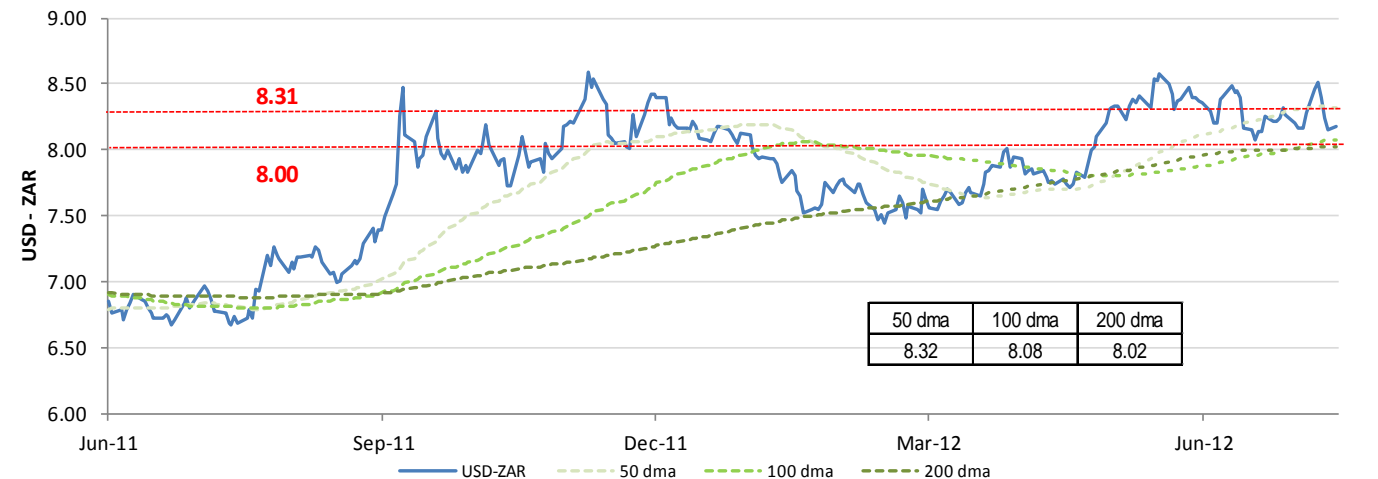
- Major technical indicators are neutral to bearish.
- The pair declined last week after testing the important resistance level of 8.50. From a wave count perspective, the current decline from June is expected to test the 7.78 – 8.00 range. Minor pullbacks on the way, however, cannot be ruled out. The decline is expected to gather momentum once the pair breaks the psychological 8.00 level.
- We would review our outlook if we get a weekly close above 8.50 or below 7.78.

Key signposts

- Market expectations of further monetary easing by major central banks will be key.
- The outcome of the South African budget (July 30) announcement is important for investor sentiment.
- South Africa’s trade balance data (31 July), Kagiso PMI (Aug 1) and electricity production data (Aug 2) are important economic data releases impacting the ZAR.

USD-ZAR – Key support at 8.00

Technical Analysis: USD-ZAR



Source: Bloomberg, Standard Chartered



XAU-USD

Key technical indicators and forecasts*

TECHNICAL INDICATORS	VIEW
RSI	Neutral
Stochastic	Bearish
MACD	Bullish
ADX	Neutral
Momentum	Neutral

KEY LEVELS	Levels	Importance
Secondary resistance	1720	Neutral
Primary resistance	1650	Strong
Spot	1622	
Primary support	1550	Strong
Secondary support	1450	Neutral

FORECASTS	SCB	Consensus
Q4 2012	1750	1760
Q1 2013	1900	1810
Q2 2013	1900	1830
Q3 2013	na	na

*Please see Appendix on Pg 10 for explanation on technical indicators

Source: Bloomberg, Standard Chartered

We remain neutral on XAU-USD as technical signals remain divergent. The break above 1600 is likely to push prices to the higher band of the 1550 – 1650 range

Performance

- The XAU-USD rose 2.44% over the last week on stronger expectations of further monetary policy easing by major central banks.

Technical Analysis

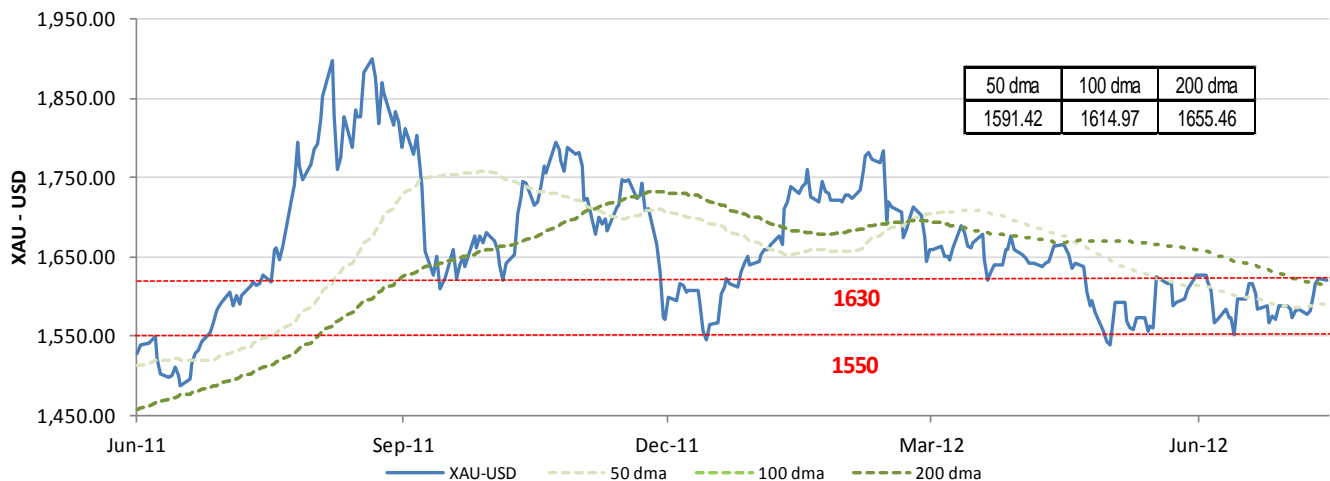
- Major technical indicators are divergent.
- For the past one year, XAU-USD movement has been in the form of a contracting triangle pattern. An initial jump above 1600 is likely to push prices to the higher end of the recent 1550 – 1650 range, but we do not expect the move to be sustained.
- We would review our outlook if the pair clears 1650 or falls below 1560.

Key signpost

- Expectations of further monetary policy easing by global central banks would be the key driver for the pair.
- We also note that the long term drivers (i.e. purchases by central banks, debasement of currencies etc) for higher gold prices remain intact.

XAU-USD – Recent jump still lacking conviction

Technical Analysis: XAU-USD



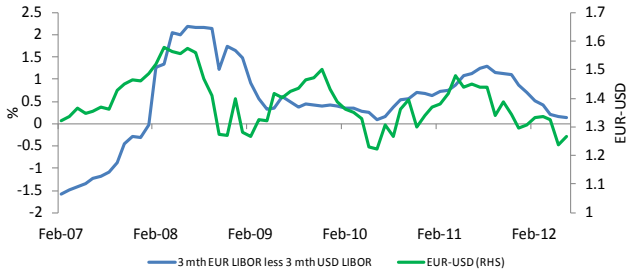
Source: Bloomberg, Standard Chartered



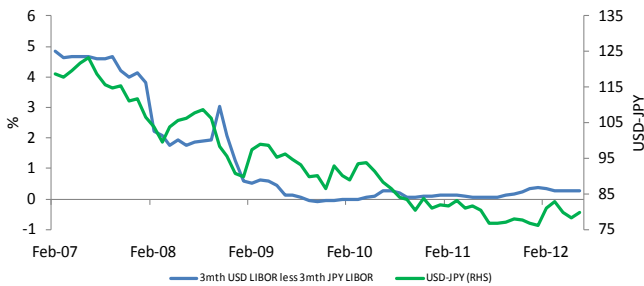
Interest rate differentials

Measures the yield of holding a foreign currency relative to the base currency

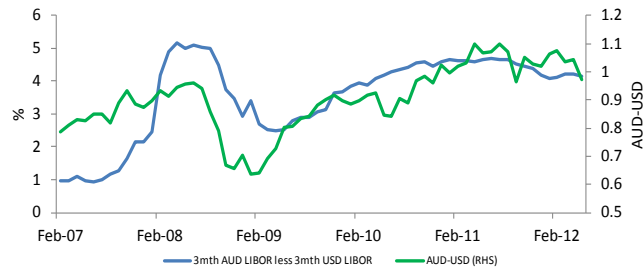
EUR-USD – ECB expected to announce new measures



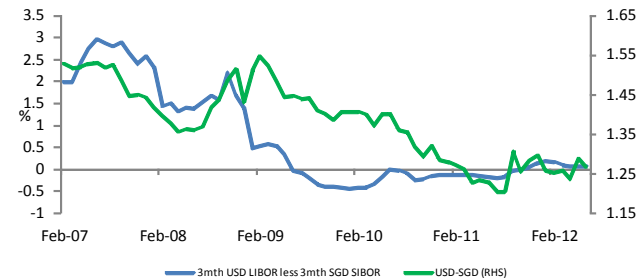
USD-JPY – boJ expected to ease further



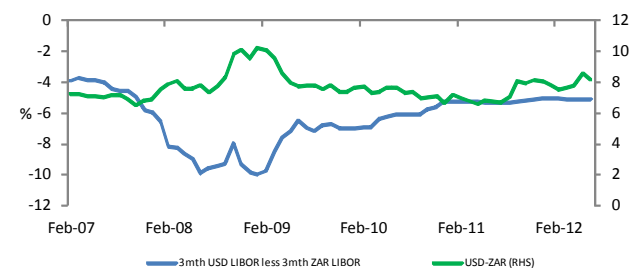
AUD-USD – Differentials remain supportive of carry trades



USD-SGD – SGD and USD rates tracking closely



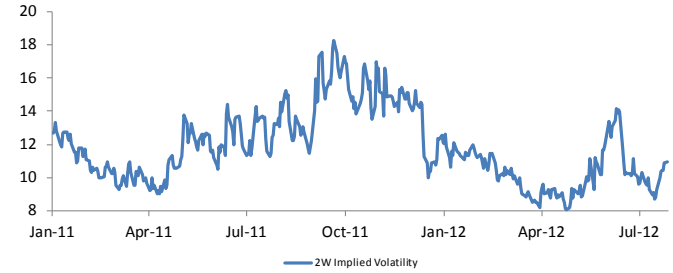
USD-ZAR – South Africa may cut rates further



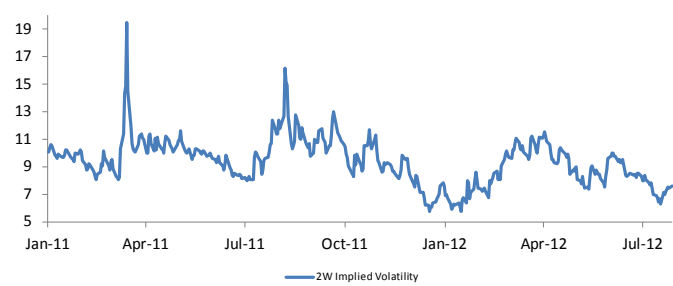
FX Implied Volatility

An approximate indicator used to gauge future expectations of price movements based on FX options market pricing

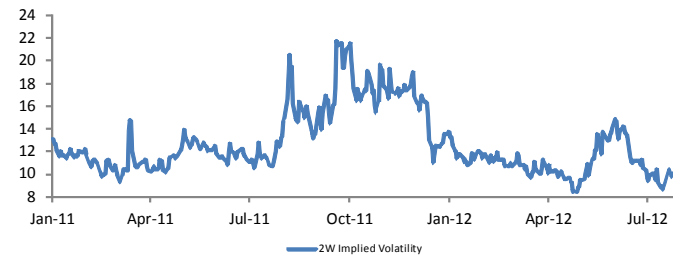
EUR-USD – Volatility spiked on Draghi's comments



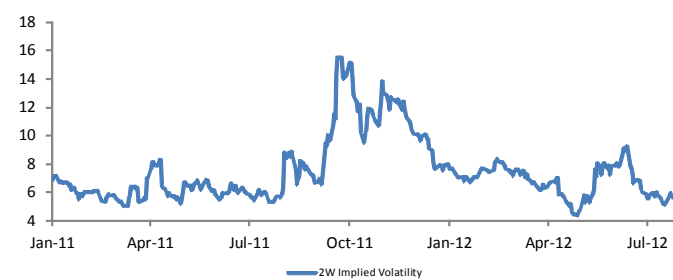
USD-JPY – Renewed expectations of further monetary stimulus



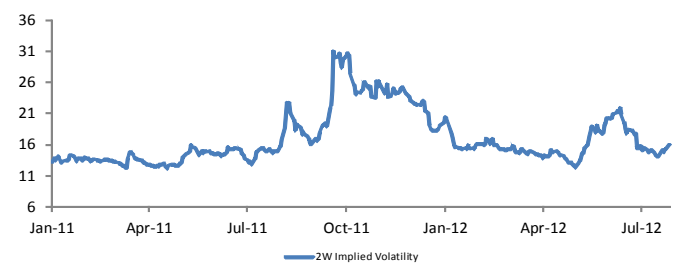
AUD-USD – Bounce in demand for higher yielding currencies



USD-SGD – SGD remains resilient



USD-ZAR – Further easing by central banks a key driver



Source: Bloomberg, Standard Chartered

Central Bank Monetary Policy Meeting Schedules 2012*

	Policy rate**	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Majors													
US	0.25	25		13	25		20	31		12	24		11
UK	0.50	12	9	8	5	10	7	5	2	6	4	8	6
Euro area	0.75	12	9	8	4	3	6	5	2	6	4	8	6
Japan	0.10	24	14	13	10,27	23	15	12	9	19	5,30	20	20
Australia	3.50		7	6	3	1	5	3	7	4	2	6	4
New Zealand	2.50	26		8	26		14	26		13	25		6
Canada	1.00	17		8	17		5	17		5	23		4
Switzerland	0.00			15			14			13			13
Asia ex-Japan													
China	6.00												
India	8.00												
South Korea	3.00	13	9	8	13	10	8	13	9	13	11	8	13
Taiwan	1.875			22			28			27			27
Singapore					Expected						Expected		
Malaysia	3.00	31		9		11		5		6		8	
Indonesia	5.75	12	9	8	12	10	12	12	9	13	11	8	11
Thailand	3.00	25		21		2	13	25		5	17	28	
Philippines	3.75	19		1	19		14	26		13	25		13

* Subject to change ** Data as of 1 June 2012

Source: Bloomberg, Standard Chartered



TECHNICAL INDICATORS – EXPLANATORY APPENDIX

RSI (Relative Strength Index) – The RSI indicators can be used to describe the speed at which prices move over a given time period. An RSI above 70 can indicate a currency pair is overbought while an RSI below 30 can indicate the pair is oversold.

Stochastic Oscillator – The Stochastic Oscillator compares where a security's price closed relative to its trading range over a given time period. The security or index is generally considered oversold when the Oscillator falls to 20%, while a reading of 80% is considered overbought.

MACD (The Moving Average Convergence/Divergence) – This indicator shows the relationship between two moving averages of prices. A bearish signal is provided when the main moving average line drops below the second moving average line, and vice versa.

ADX (Average Directional Index) - This indicator quantifies a trend's strength regardless of whether it is up or down. An index rising above zero provides a bullish signal while an index falling below zero provides a bearish signal.

Momentum Indicator - The momentum of a security is the ratio of today's price compared to the price at a given point in the past. If the security's price is higher today, the momentum indicator will be considered strong. If the security's price is lower today, the momentum Indicator will be weak.

Disclosure Appendix

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