

Daily Market Outlook

News Highlights

The Dow Jones Industrial Average rose 0.7%, to 13,090.84 on Friday, in a volatile trading session. Friday's choppy move higher tipped the benchmark into positive territory for the month of August. The Standard & Poor's 500-stock Index advanced 0.5% and the Nasdaq Composite added 18.25 points to 3,066.96.

The slight gains came about despite disappointment from investors hoping for confirmation of easing measures at

last Friday's Jackson Hole Conference. Federal Reserve Chairman Mr. Bernanke delivered a speech at the central bank's annual economic symposium in Jackson Hole where he expressed dissatisfaction with the economic outlook, and **repeated that the central bank "will provide additional policy accommodation as needed" to support the economic recovery.** His stance mirrored his previous position on this topic, and places even more focus on the next FOMC meeting on the 12 Sep.

In other news over the weekend, **the Chinese manufacturing PMI figures came in lower than expected at 49.2 for the month of Aug**, signaling once again the slowdown in economic activity. Still, given the drop in inflationary pressures as well, the Chinese authorities may be under less pressure to embark on another round of intense easing measures. We had non manufacturing PMI data out this morning as well, with a better than expected 56.3 figure for the month of August.

The Australian dollar will be a major focus this week, given weak economic data that implies the possibility of further round of rate cuts as early as tomorrow. Retail sales for the month of July just came in lower than expected at -0.8%, indicating further pressure on the economy as China slows down commodity demand. The Australian dollar looks likely to be under continued pressure in the interim, given this possibility.

For the week, we look out for tomorrow Reserve Bank of Australia meeting and a whole raft of important data from Australia, like the employment report on 06 Sep. There is also other central bank talk, with the much anticipated ECB meeting on Thursday, together with the Bank of England meeting. The week will then lead off into this Friday's non farm payrolls numbers, where expectations are 125K jobs added into the economy for the month of August.

Summary

- Ben Bernanke repeated that the central bank "will provide additional policy accommodation as needed".
- Chinese manufacturing PMI figures came in lower than expected at 49.2 for the month of Aug.
- Australia retail sales for July just came in lower than expected at -0.8%, indicating further pressure on the economy.

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USD Pairing Strike Levels

Currency	Trading Range	Strike Levels	Tenor (Weeks)
EUR/USD	1.2200 – 1.2700	USD Base 1.2450 (indicative 5.4%)	2
GBP/USD	1.5650 – 1.6000	USD Base 1.5770 (indicative 4.0%)	2
AUD/USD	1.0200– 1.0600	AUD Base 1.0400 (indicative 4.6%)	2,3
NZD/USD	0.7900 – 0.8200	NZD Base 0.8120 (indicative 4.0%)	2,3
USD/CAD	0.9800 – 1.0000	CAD Base 0.9820 (indicative 4.0%)	2


SGD Pairing Strike Levels

Currency	Trading Range	Strike Levels	Tenor (Week)
EUR/SGD	1.5400 – 1.5800	SGD Base 1.5650 (indicative 4.6%)	2
GBP/SGD	1.9600 – 2.0000	SGD Base 1.9780 (indicative 3.2%)	3
AUD/SGD	1.2750 – 1.3000	AUD Base 1.2900 (indicative 3.6%)	3
NZD/SGD	0.9900 – 1.0250	NZD Base 1.0020 (indicative 4.0%)	3
CAD/SGD	1.2400 – 1.2700	CAD Base 1.2670 (indicative 3.0%) SGD Base 1.2665 (indicative 3.4%)	2,3 2,3
USD/SGD	1.2400 – 1.2700	SGD Base 1.2495 (indicative 5.9%)	1

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Other Strike Levels

Currency	Trading Range	Strike Levels	Tenor (Week)
AUD/NZD	1.2750 – 1.3000	AUD Base 1.2850 (indicative 4.0%)	2,3
AUD/CAD	1.0000 – 1.0300	AUD Base 1.0180 (indicative 4.0%)	2

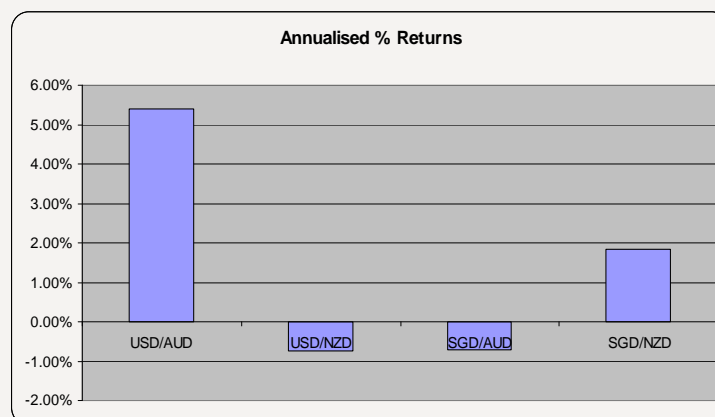
Simulated DCR Trades

Currency Pair	Base Currency	Strike Level	Trade Date	Expiry Date
USD/AUD	USD	1.0350	22 Aug	05 Sep
USD/NZD	USD	Hold	-	-
SGD/AUD	SGD	1.2930	24 Aug	07 Sep
SGD/NZD	SGD	Hold	-	-

These simulated trades are based on the more popular currency pairings within the Bank. There are 4 separate DCR trades (SGD/AUD, SGD/NZD, USD/AUD, USD/NZD).

The base assumption is that the client starts off with a sum of either SGD100K or USD100K since the start of 2012. The principal sums are then paired against AUD and NZD respectively with the aim of generating returns via DCR and/or FX. The yields are based on actual trade ideas for tracking purposes. The returns will then be compared against the initial sum at the end of the year.

The expiries will be updated by the next working day with the relevant selected DCR idea to ensure accuracy in tracking of our DCR trade calls. Alternatively, we may hold on to the currency in anticipation for further FX gains.



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FX Trade Ideas

Currency Pair	Call	Entry	Target/Stop	Profit/Loss
USD/JPY	Buy 08 Aug 2012	78.50	81.00/77.00	-
GBP/AUD	Take profit on 03 Sep 2012	1.4950	1.5450/1.5100	+500 pips
USD/CAD	Buy 23 Aug 2012	0.9900	1.0100/0.9750	-
EUR/AUD	Buy 29 August 2012	1.2120	1.2450/1.2000	-

These FX trade ideas seek to take advantage of short term movement in the currency markets and should be seen as tactical trades which may differ from the medium to long term time horizon view of the Bank.

Glossary:

<Buy/Sell> means the buy/sell position has been established.

Note that YTD cumulative profit/loss are the total profit/loss of all closed trading positions.

Selected FX Charts

The GBP/SGD has moved higher in recent weeks on the back of the Bank of England that appears to be balanced between the risks of fuelling inflation and ensuring the country does not slip into a further slowdown. The recent BOE minutes indicate that the board members are unanimous in voting for a hold in an expansion of the asset purchase program, even as inflation crept up for the month of July.

On the charts, the currency has just broken the key resistance levels at the 1.9660 level, indicating further upside to the pair with 1.9800 a viable target. A break of this 1.98 level could then see the 2.00 level come back into play. On the fundamentals front however, the outlook for economy still appears to be soft, although we see strong support at the 1.95 level.

For more ideas on this pair, look at our DCR section for further ideas.



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