

Exchange Rate Developments June 2016

A. Currency watch

The United States dollar (USD) started the month weak against most of its major peers following the release of worse than expected economic data out of the US. The safe-haven currency continued to drop on doubts whether the Federal Reserve will raise interest rates in the upcoming months. However, it then gained on safe-haven demand, and following the UK's decision to leave the European Union, which rattled financial markets around the globe. The Greenback later weakened towards the end of the month on downbeat housing data out of the US. **Overall, the US dollar weakened from the previous month's level, which led the Tala to strengthen from US\$0.3821 in May, to US\$0.3912 in June.** (See Graph 1)

The Euro opened the month at US\$1.1154 on unfavourable data out of the US. It then rose to US\$1.1347 after the European Central Bank revised its inflation forecast for 2016 up to 0.2 percent from 0.1 percent. However, a drop in European stocks and the United Kingdom's BREXIT result led the shared currency to drop to US\$1.1027. The Euro closed off the month at US\$1.1102. **Overall, the Tala appreciated by 1.98 percent against the Euro in June.** (See Table 2 and Graph 1)

The Australian dollar (AUD) opened the month firm at US\$0.7224 on better than expected growth data out of Australia. It then strengthened to US\$0.7365 on expectations the Federal Reserve will not raise interest rates this year following the release of downbeat US data. The Australian dollar rose further to US\$0.7461 as oil prices rallied and after the Reserve Bank of Australia left interest rates unchanged at 1.75 percent. Favourable trade data out of China also supported the currency's strength. The Australian dollar closed the month at US\$0.7435. **Overall, the Tala appreciated by 0.22 percent against the AUD in the month under review.** (See Table 2 and Graph 1)

The New Zealand dollar (NZD) also opened the month firm at US\$0.6802 as investors' risk appetites improved and was further supported by worse than expected

economic data out of the US. The Kiwi currency rose further to US\$0.6929 on expectations the Federal Reserve will not raise interest rates in the upcoming months. The decision by the Reserve Bank of New Zealand to leave its overnight cash rate unchanged at 2.25 percent and positive trade and growth data out of New Zealand added further support to the Kiwi dollar. The New Zealand dollar closed the month at US\$0.7110 as global oil prices rallied. **On average, the Tala fell 2.09 percent against the NZD over the reviewed month.** (See Table 2, Graph 1)

The Japanese Yen was generally strong over the month on the back of weak economic data out of the US and on uncertainty over rate hike expectations by the Federal Reserve. Optimistic economic data out of Japan on trade and growth also helped support the safe-haven currency. The Chinese Yuan slipped throughout the month as Chinese stocks dropped and amid reports indicating China's foreign reserves dropped in May. **In the month under review, the YEN strengthened but the YUAN weakened against the Tala.** (See Graph 2)

Overall, the US dollar strengthened against the EURO but weakened against the AUD and the NZD when compared to May 2016. For currencies outside the Tala currency basket, the US dollar strengthened against the YUAN but weakened against the YEN and the FJD. (See Table 1)

By comparison, the Tala strengthened against the USD, the AUD and the EURO but weakened against the NZD over the month under review. Against currencies outside the basket, the Tala strengthened against the FJD and the YUAN but weakened against the YEN. (See Table 2)

As shown by the Nominal Effective Exchange Rate (NEER) Index, the overall nominal value of the Tala appreciated by 0.02 percent against the currency basket from May 2016. (See Table 2 and Graph 2)

B. Tables and charts

Table 1 shows the movements of the currencies in our currency basket together with the FJD, the Yuan and the Yen against the US dollar in June 2016, compared to the previous month and June 2015.

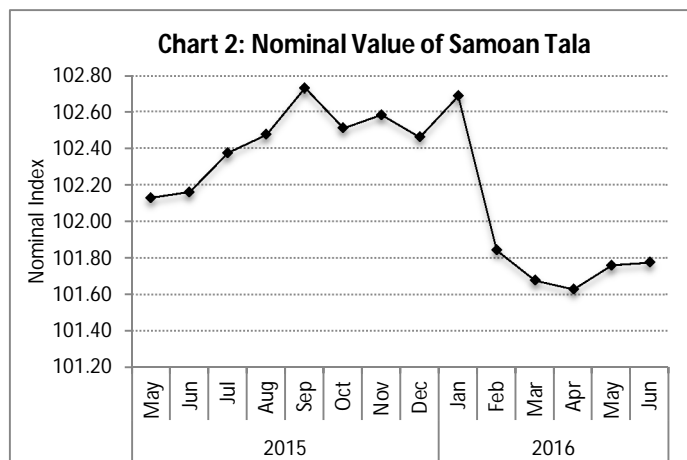
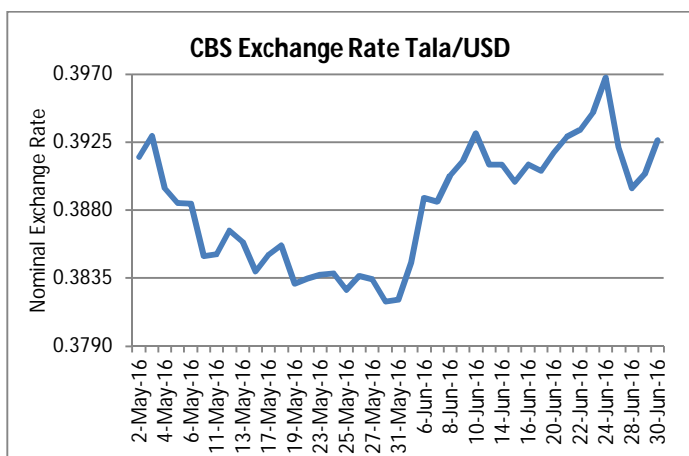
Table 1					
USD per other currencies (month average)					
	Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation				
	Jun-15	May-16	Jun-16	May-16	Jun-15
				(%)	(%)
NZD/USD	0.7000	0.6802	0.7046	3.59	0.66
AUD/USD	0.7729	0.7322	0.7413	1.24	-4.09
USD/YEN	123.6233	108.8710	105.3448	3.24	14.79
USD/CNY	6.2064	6.5291	6.5896	-0.93	-6.17
EUR/USD	1.1246	1.1309	1.1248	-0.54	0.02
FJD/USD	0.4821	0.4765	0.4806	0.86	-0.31

Source: Central Bank of Samoa

Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in June 2016, compared to the previous month and June 2015.

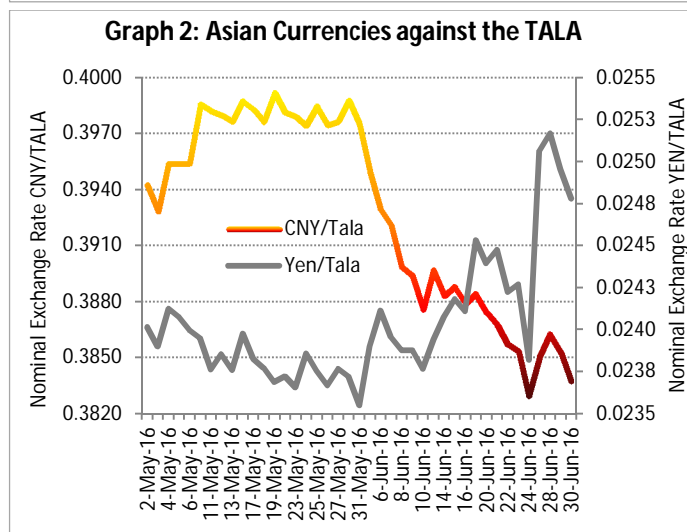
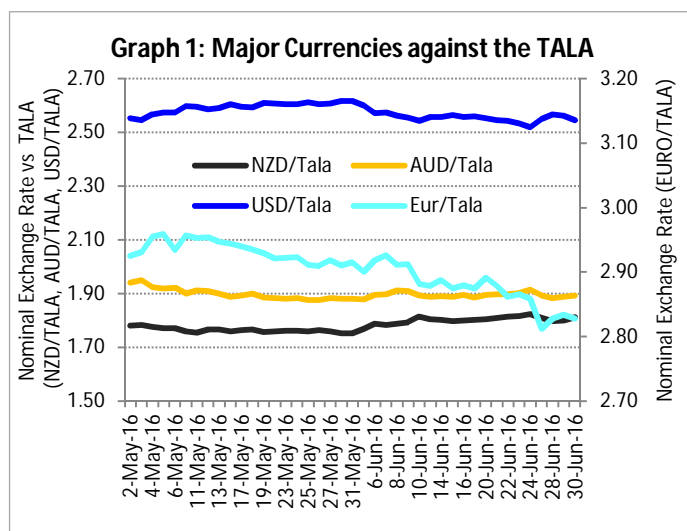
Table 2					
Tala per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Jun-15	May-16	Jun-16	May-16	Jun-15
				(%)	(%)
USD/TALA	2.5452	2.5938	2.5562	1.45	-0.43
NZD/TALA	1.7814	1.7641	1.8009	-2.09	-1.09
AUD/TALA	1.9673	1.8988	1.8946	0.22	3.70
EUR/TALA	2.8489	2.9332	2.8750	1.98	-0.92
FJD/TALA	1.2270	1.2360	1.2285	0.61	-0.12
TALA/YEN	48.5735	41.9697	41.2100	-1.81	-15.16
TALA/CNY	2.4385	2.5171	2.5779	2.42	5.72
Nominal Index	102.16	101.76	101.78	0.02	-0.38

Source: Central Bank of Samoa



Source: Central Bank of Samoa

C. Graphs: Major currencies against the Tala



Source: Central Bank of Samoa

Financial Markets Department
Central Bank of Samoa
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