

Exchange Rate Developments November 2016

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (in USD)	Change	Previous Month
Reserve Bank of NZ	1.75%	-0.25	November 10, 2016	crude oil (US\$/bbl)	\$51.84	\$2.54	\$49.30
Reserve Bank of Australia	1.50%	0.00	November 1, 2016	whole milk powder (US\$/t)	\$2,681.00	\$0.00	\$2,681.00
US Federal Reserve	0.25% - 0.50%	0.00	November 2, 2016				
European Central Bank	0.00%	0.00	October 20, 2016				
Bank of England	0.25%	0.00	November 3, 2016				

A. Currency Watch

In November, the overall nominal effective value of the **Samoan Tala depreciated 0.01 percent** against the currency basket. This was due to the weakening of the Tala against the United States dollar (**by 0.31 percent**) and the New Zealand dollar (**by 0.08 percent**), which offset the Tala strengthening against the Australian dollar (**by 0.84 percent**) and the Euro (**by 1.68 percent**).

Various drivers and risks determined the movements during the month for the major internationally traded currencies.

The **United States dollar** (USD) was generally strong in November following:

- A string of solid US economic releases out of the U.S over the month (i.e. personal income, consumer spending, manufacturing, employment, retail sales, inflation, housing, consumer sentiment, durable goods orders and growth);
- Increased expectations that the US Federal Reserve will raise interest rates in December;
- Hopes that increased fiscal spending and tax cuts under U.S President Donald Trump's administration will spur economic growth and inflation.

The **Euro** traded lower at around US\$1.11 to USD\$1.05 on:

- Rate hike expectations by the US Federal Reserve;
- Upbeat economic releases out of the US;
- Worse than expected economic data out of the Euro-area.

The **Australian dollar** (AUD) traded between US\$0.77 to US\$0.73, weakening against the USD as:

- Oil prices dropped;
- Equity and other commodity prices decreased;

- Weak Australian data on employment.
 - The number of employed people increased by 9,800 in October, disappointing expectations for 20,000 gain. Australia's unemployment rate remained unchanged at 5.6%.
- Optimism over the strength of the US economy.

The **New Zealand dollar** (NZD) weakened to around USD\$0.73 to USD\$0.69 after:

- Investors' risk appetite dropped;
- The Reserve Bank of New Zealand's (RBNZ) decision to reduce its official cash rate (OCR) by 25 basis points to 1.75 percent from 2.00 percent at its November's monetary policy meeting;
- Increasing rate hike expectations by the US Federal Reserve.

Of the currencies not in Samoa's currency basket, the **Japanese Yen** (JPY) declined against the USD on:

- Strong economic releases out of the US;
- Japan's household spending declined by 1.0 percent in October, disappointing expectations for a 0.1 percent rise and after an increase of 2.8 percent in September.

The **Chinese Yuan** (CNY) also weakened against the US currency due to unfavourable domestic data:

- Downbeat Chinese trade data;
 - China's trade surplus widened to \$49.06 billion in October from \$41.99 billion in September, lower than an expected trade surplus of \$51.70 billion.
- Drop in Chinese stock prices.

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 November 2016, compared to the previous month and November 2015.

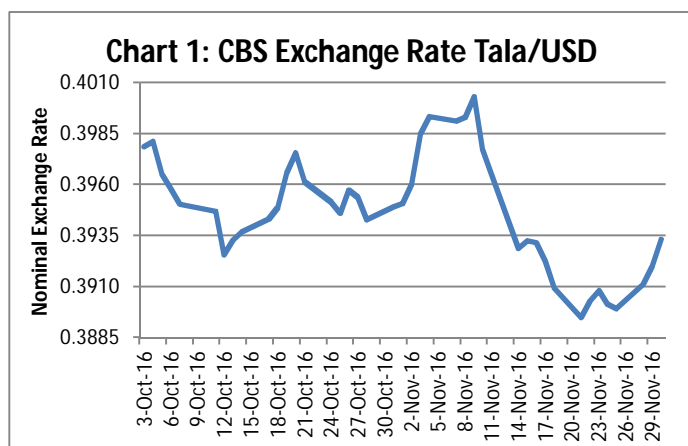
Table 1					
USD per other currencies (month average)					
				Movement of other currencies against the USD over the previous month and the previous year	
				(+) appreciation / (-) depreciation	
	Nov-15	Oct-16	Nov-16	Oct-16 (%)	Nov-15 (%)
NZD/USD	0.6565	0.7159	0.7144	-0.21	8.82
AUD/USD	0.7140	0.7620	0.7534	-1.13	5.52
USD/YEN	122.4802	103.7230	108.1689	-4.29	11.68
USD/CNY	6.3673	6.7291	6.8418	-1.67	-7.45
EUR/USD	1.0745	1.1030	1.0804	-2.05	0.55
FJD/USD	0.4661	0.4867	0.4832	-0.72	3.67

Source: Central Bank of Samoa

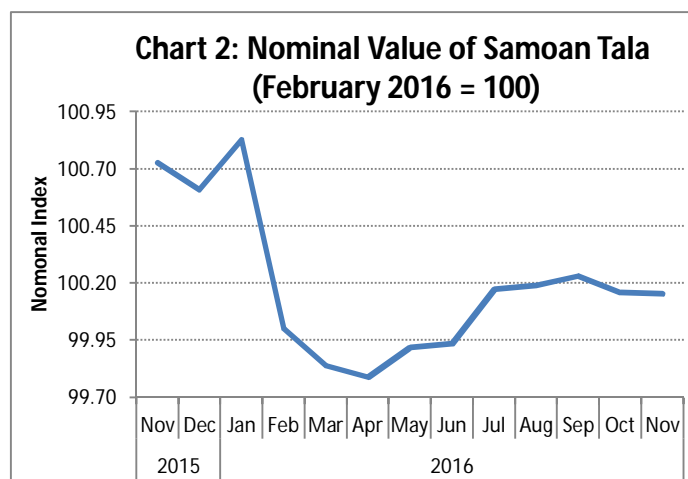
Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in November 2016, compared to the previous month and November 2015.

Table 2					
Tala per foreign currencies (month average)					
				Movement of the Tala over the previous month and the previous year	
				(+) appreciation / (-) depreciation	
	Nov-15	Oct-16	Nov-16	Oct-16 (%)	Nov-15 (%)
USD/TALA	2.6404	2.5294	2.5373	-0.31	3.90
NZD/TALA	1.7334	1.8107	1.8122	-0.08	-4.55
AUD/TALA	1.8852	1.9274	1.9113	0.84	-1.38
EUR/TALA	2.8368	2.7877	2.7409	1.68	3.38
FJD/TALA	1.2306	1.2310	1.2336	-0.21	-0.24
TALA/YEN	46.3863	41.0062	42.6238	3.94	-8.11
TALA/CNY	2.4115	2.6603	2.6965	1.36	11.82
Nominal Index	100.73	100.16	100.15	-0.01	-0.57

Source: Central Bank of Samoa

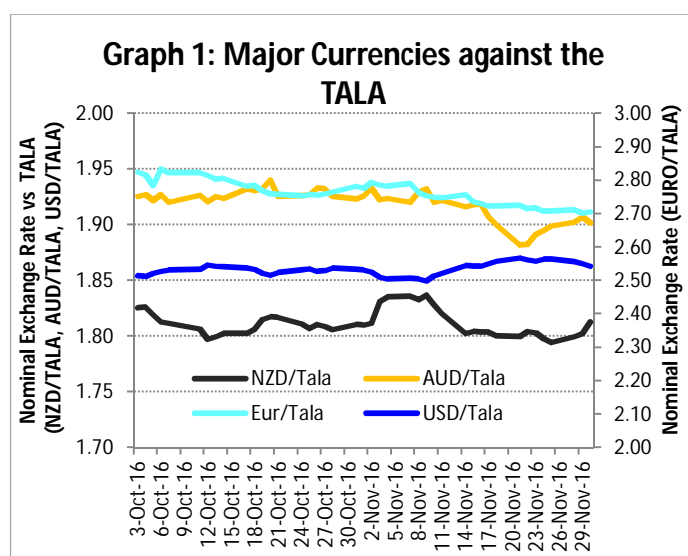


Source: Central Bank of Samoa



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C. Major currencies against the Tala



Source: Central Bank of Samoa

D. Market Outlook for Q1 2017 (as at 6 Dec 2016):

AUD/USD: We expect the AUD/USD to trade around USD\$0.73 on expectations that the Reserve Bank of Australia will likely keep interest rates unchanged at 1.50 percent throughout 2017.

NZD/USD: Markets are expecting the RBNZ's official cash rate to remain at 1.75 percent for an extended period. This factor would drive the NZD/USD down towards USD\$0.70.

EUR/USD: The Euro is expected to trade lower around US\$1.06 on speculations the European Central Bank will increase its monetary stimulus program in the near future.

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7 December 2016