



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency: EUR USD  
 Alternate Currency: USD EUR  
 Strike Price: 1.3300 1.2900  
 Spot Ref: 1.3069  
 Tenor: 2 weeks

Date: 01 Feb 2012  
 Time: 11:15 hrs

Resistance / Support: 1.3220 1.2982  
 Commentary:



- US: FOMC starts its 2012 policy cycle with a surprise, extending low rates till late 2014 (Thu 26-Jan).
- Greek debt talks risk derailing EU Summit Plan, ECB chief hails EU fiscal pact, ESM finalised (Mon 30-Jan).
- Eurozone consumer confidence ends 10-month drop (Mon 30-Jan).
- Race to fix Greek debt relief gathers pace (Tue 31-Jan).
- Eurozone jobless hits highest level of 10.4% since birth of euro (Tue 31-Jan).

FOMC surprised the markets as the Fed changed its forward expectations of the Fed Funds Target Rate, leaving it at 0-0.25% "at least thorough late 2014", a significant extension from the previous "at least through mid-2013". Even as the US economic and jobs outlook continued to show improvement going into 2012, the Fed remains concerned about the sustainability of the recovery and emphasized on the downside risks for the US due to the problems in Europe, weaker global growth and other factors.

European Union leaders gather for their first summit of 2012 as a deteriorating economy and struggle to complete a Greek debt write-off risk sidetracking efforts to stamp out the financial crisis. As a possible condition of the bailout, European policy makers are discussing plans to directly intervene in Greek budget decisions as the country struggles to cut its deficit, according to two euro-region government officials. EU leaders finalised the statutes of the permanent 500-billion-euro (\$657-billion) bailout fund, the European Stability Mechanism (ESM), to be signed in early February and sent to national parliaments to ratify. The ESM is scheduled to go into operation this year.

Consumer and business confidence in the 17-nation eurozone improved slightly in January, halting a 10-month decline, official data showed on Monday. A confidence index compiled by the EC for the eurozone edged up to 93.4 from a revised 92.8 in December. Across the 27-nation European Union, the confidence index gained 1.2 points to an indexed 92.8. The improvement was the result of a pick-up in the service sector, and to a lesser degree, among consumers and professionals in the construction sector.

Officials took the first steps Tuesday in a high-pressure bid to wrap up a massive debt relief deal for Greece within a week. Needed to save the country from financial collapse, pressure to accelerate action and reach a deal has also risen with experts predicting that Portugal may need its own restructuring or second bailout later this year. French Finance Minister Francois Baroin told his parliament that a deal with private creditors may now only reduce Greece's debt to 125% of GDP. This indicates a relaxation of the 120% target set by the EU and IMF in October. Eurozone unemployment rose to 10.4% in December, same as an upwardly revised November figure, the EU's statistics office Eurostat said. It was the highest rate since June 1998, before the euro was introduced in 1999. After two years of debt crisis and budget austerity, the number of Europeans out of work has risen to 16.5 million people, with another 20,000 people without a job in December from the month before.

Base Currency: GBP USD  
 Alternate Currency: USD GBP  
 Strike Price: 1.5900 1.5500  
 Spot Ref: 1.5757  
 Tenor: 2 weeks

Date: 01 Feb 2012  
 Time: 11:15 hrs

Resistance / Support: 1.5840 1.5668  
 Commentary:



- British economy teeters on brink of recession as Q4 GDP growth contracted 0.2% (Thu 26-Jan).
- UK home prices to face downward pressure (Mon 30-Jan).
- French banks would come to Britain to avoid 0.1% financial transaction tax: Cameron (Mon 30-Jan).

Britain's economy shrank by more than expected in Q4, contracting by 0.2%, placing it dangerously close to recession as the eurozone debt crisis and austerity measures hit output. The disappointing fourth-quarter growth data was meanwhile a major slowdown from the 0.6% growth witnessed in the previous quarter. It marked the first contraction since the fourth quarter of 2010, when economic activity fell by 0.5% as freezing weather across much of Britain hit output. The IMF slashed its 2012 British growth estimate to just 0.6%, compared with the prior forecast of 1.6% expansion, and blamed "intensifying strains" in the eurozone.

The pound declined from near a five-week high on Monday against the dollar after Hometrack said UK home prices were unchanged in January. The underlying trend is one of "tightening supply and weakening demand". From a year earlier, values fell 1.6% in January. Demand for houses dipped 11% in the second half of 2011, while the supply of property for sale fell 7%, the most since 2009. In London, prices rose 0.1% in January, bucking the national trend due to overseas buyers boosting prices in prime areas.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0750 1.0500  
Spot Ref: 1.0614  
Tenor: 2 weeks

Date: 01 Feb 2012  
Time: 11:15 hrs

Resistance / Support: 1.0730 1.0524

#### Commentary:



- Australian inflation remains steady in Q4, raising hopes that RBA may cut interest rates (Wed 25-Jan).
- Aussie dollar rises as Greek debt deal looms (Tue 31-Jan).
- House price drop adds to case for rate cut (Wed 01-Feb).

Australian inflation held steady in Q4, a lower-than-expected figure that stoked hopes that RBA may cut interest rates to boost a sluggish economy. The CPI was flat in Q4 from Q3, and 3.1% in 2011, the Australian Bureau of Statistics revealed. Analysts had forecast 0.2% and 3.3% respectively. The Aussie dollar initially slipped on the news but rebounded strongly as core inflation (excluding volatile items such as food and fuel) overshoot forecasts. Core inflation came in at 0.6% for Q4 and 2.6% for the full year, ahead of a 0.5% and 2.4% forecast. Treasurer Wayne Swan said the data left it ample room for rate cuts. The RBA does not meet in January.

On Tuesday morning (AEDT), Greek Prime Minister Lucas Papademos said he was close to a deal with creditors to reduce his government's debt burden. The comments improved market sentiment and encouraged traders to buy riskier assets such as the Australian dollar. There isn't any concrete solution or debt deal done but just the mention that significant progress has been made was enough to start the rally. The main focus for currency markets would be on the outcome of the Greek negotiations.

Data released by the Australian Bureau of Statistics on Wednesday showed Australian capital city house prices fell 1.0% in the quarter to December, more than economists' expectations of an 0.7% fall. That followed an upwardly revised 1.9% fall in the September quarter. In the year to December, the house price index fell 4.8%, the ABS said. Though global economic conditions would be the dominant factor when the RBA meets on 7-Feb, the poor house price data should add to the case for a rate cut to 4%.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.8400 0.8100  
Spot Ref: 0.8239  
Tenor: 2 weeks

Date: 01 Feb 2012  
Time: 11:15 hrs

Resistance / Support: 0.8380 0.8125

#### Commentary:



- Record dairy exports drive unexpected trade surplus (Fri 27-Jan).
- Bollard says 'Comfortable' with the Market View on New Zealand Rate Pause (Fri 27-Jan).
- New Zealand Reserve Bank Governor Alan Bollard to step down in September (Mon 30-Jan).
- NZ Service Sector stagnant; PSI down 5.6 points to 50.6 in December (Mon 30-Jan).

New Zealand reported a trade surplus in December as exports of milk powder, butter and cheese reached records. The trade balance was a surplus of NZ\$338 million in the month of December, Statistics New Zealand said. This compared to a median forecast of a NZ\$100 million deficit in a survey by Reuters. The value of exports rose 13% to NZ\$4.3 billion in December from the same month a year earlier, while imports fell 1.6% to NZ\$4 billion. The annual trade balance was a surplus of NZ\$1.1 billion.

New Zealand central bank Governor Alan Bollard said he is "comfortable" with the current market view that the official cash rate won't rise or fall over the next year. Bollard commented during a speech to business leaders in Christchurch last Friday. Bollard will quit in September, ending a decade-long tenure in which he raised interest rates to a record high before cutting them last year to their lowest ever. Bollard won't seek another five years when his current term ends 25-Sep, the RBNZ said. It will search in NZ and abroad for a successor, during this period of slowing global growth and a sluggish domestic economy that's motivating young people to leave in search of higher-paying jobs in Australia and elsewhere.

The service sector returned to a more subdued level of expansion in December, according to the BNZ – BusinessNZ Performance of Services Index (PSI). The PSI for December was 50.6, down 5.6 points from 56.2 in November, and 0.2 points lower than the October result. A PSI reading above 50.0 indicates that the service sector is generally expanding. While the PSI has now remained in positive territory for 26 consecutive months, it has struggled to push any higher than moderate levels of expansion. The results for December and October indicate that the sector may struggle for stronger expansion in the near future.

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