



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2650	1.2350
Spot Ref:	1.2465	
Tenor:	2 weeks	
Date:	30 May 2012	
Time:	11:00 hrs	
Resistance / Support:	1.2640	1.2400
Commentary:		



- Greek polls support euro prior to new elections on 17-June (Tue 29-May).
- German CPI eases more than expected in May (Tue 29-May).
- US ratings agency Egan-Jones' downgrade Spain's sovereign rating to "B" from "BB-" (Tue 29-May).
- Eurozone consumer confidence estimate (Wed 30-May, 17:00 SGT).
- Eurozone CPI flash estimate (Thu 31-May, 17:00 SGT).

Greek opinion polls showed voters warming to parties supporting the EU's bailout agreement as political leaders at home and abroad warned of economic catastrophe should Greece exit the euro. The tensions surrounding Greece were underscored by comments from Lagarde and Fitch. A survey by GPO showed 77% of the 1,600 Greeks surveyed said the terms of the bailout should be revised. Most Greeks, or 81%, said they wanted to remain in the single currency. 52.4% said they should stay in the euro if they were forced to accept the current austerity measures accompanying the bailout. The euro has fallen by 2.5% over the week, to the lowest since July 2010.

German CPI fell in May to its lowest level in 17 months, dropping back within the ECB's comfort zone and giving monetary policy makers greater scope to ease up on their fight against price rises. German inflation fell 0.2% on a monthly basis, pushing down year-to-year inflation to 1.9% from 2.1% in April, according to preliminary estimates by Destatis, the federal statistics office, and is now at its lowest level since December 2010 in annual terms. A drop in oil prices was one reason for the lower CPI figure.

Market participants continue to flee the risk-sensitive euro in favour of the safe-haven greenback following US ratings agency Egan-Jones' downgrade in Spain's sovereign rating to B from BB-, whilst retaining a negative outlook. This is the third downgrade from the agency in less than a month as Spain's weak banks continue to worry markets. In its accompanying statement, Egan-Jones wrote, "Spain will inevitably be faced with payments to support a portion its banking sector and for its weaker provinces. Assets of Spain's largest two banks exceed its GDP...we are slipping our rating to 'B'; watch for more requests for support from the banks and money creation".

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5850	1.5550
Spot Ref:	1.5616	
Tenor:	2 weeks	
Date:	30 May 2012	
Time:	11:00 hrs	
Resistance / Support:	1.5800	1.5600
Commentary:		



- UK house prices rise in May, but signs of weakness apparent (Mon 28-May).
- CBI reported sales balance up from -6% to 21% in May, well above market; urges government to kick start private sector investment (Tue 29-May).
- BoE economist: Britain still benefiting from £325 billion stimulus (Tue 29-May).
- Gfk Consumer Confidence survey (Thu 31-May, 07:00 SGT).

House prices in the UK rose by 0.2% month-on-month (minus 0.6% year-on-year) in May, according to the results of the latest survey carried out by Hometrack. However, while house prices in London rose by 0.6% on the month, in the majority of the rest of the other regions they either remained flat or fell. Hometrack indicates that, increased mortgage rates and mounting concerns over the impact of the Eurozone on the UK's economic growth and employment are likely to keep demand and prices in check.

The CBI called on the government to offer subsidies to investors in order to gain access to billions of pounds worth of private sector funds for infrastructure spending, saying that the government's backing would "enhance" the credit rating of a project, making it a much more viable project for private companies to invest in.

The CBI reported sales balance of 21% in May, the highest since April 2011, and that sentiment regarding the business situation for the next three months has also turned positive (+3%) for the first time since November 2011. The retail news was somewhat more upbeat, with the CBI's Distributive Trades Survey pointing to a healthy bounce in May. A net 21% of the 128 retailers surveyed reported a year-on-year rise in sales, a level last seen in April 2011. A net 25% of respondents expect a year-on-year rise in sales in June. The CBI also noted that a net 12% of firms said that they had employed more people than a year earlier, which was the best reading since February 2003.

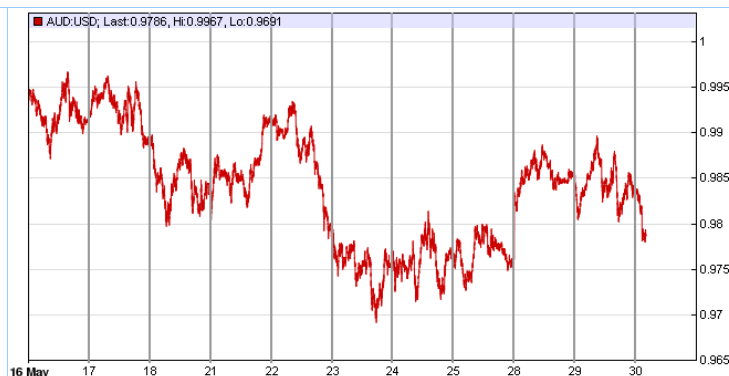
BoE chief economist Spencer Dale said "monetary policy at the moment is very stimulatory", and that will continue to flow through the economy. He added that it would not be appropriate for the BoE to restart its QE programme if supply-side problems, rather than a lack of demand, were the reasons for Britain's weak economic recovery.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0000 0.9650  
Spot Ref: 0.9794  
Tenor: 2 weeks

Date: 30 May 2012  
Time: 11:00 hrs

Resistance / Support: 1.0000 0.9700

Commentary:



- Housing Industry Association (HIA) new home sales for April rise by most in 2 years (Tue 29-May).
- Greece exiting euro aftershocks risk reaching China (Tue 29-May).
- Aussie retail sales fell 0.2% for April, first drop in 10 months (Wed 30-May).
- Swaps data reveal expectations for 25bp cut at next RBA meeting in June (Wed 30-May).

Sales of new homes rose in April as buyers in Victoria rushed into the market before the axing of that state's first home owner bonus, new figures show. The HIA New Home Sales report found that sales of new detached houses jumped 6.4% around the country, with a stronger rise of 10.3% in sales of apartments pushing the average for all new home sales higher to 6.9%. In Victoria, the number of new homes purchased surged by 17% before the first-buyer bonus expired.

Greece quitting the euro could reduce China's growth expansion to 6.4% this year, from 9.2% last year, if international growth is dragged down by half as much as during the 2008-2009 financial crisis and policy makers don't offset the pain, economists at China International Capital Corp. said in a report last week. Global trade and financial ties mean the pain wouldn't be confined to the euro area. Exporting nations from the UK to China would suffer and commodity producer Russia would face falling oil prices.

Australian retail sales unexpectedly declined in April, the first drop in 10 months, as consumers curtailed spending at department stores. Sales dropped 0.2% to A\$21.2 billion from March, when they gained a revised 1.1%, the Bureau of Statistics said today. Economists had forecast a 0.2% gain. RBA Governor Glenn Stevens this month slashed the overnight cash rate target by 0.5% to a two-year low, even as most economists polled forecast a quarter-point reduction. The RBA is trying to boost a housing market in which prices have fallen for five straight quarters, support employment and help confidence that has weakened among consumers who are saving more.

The RBA, in its quarterly monetary policy statement released this month, cut growth and inflation forecasts. It sees average growth of 3% in 2012, down from its February estimate of 3.5%. Consumer prices will rise 2.5% in the year to December, from a previous prediction of 3%; underlying inflation is predicted at 2.25% from a previous 2.75%. Traders are pricing in at least a 25bp reduction in the RBA's benchmark rate to 3.5% at its meeting next month, swaps data compiled by Bloomberg show.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.7800 0.7450  
Spot Ref: 0.7602  
Tenor: 2 weeks

Date: 30 May 2012  
Time: 11:00 hrs

Resistance / Support: 0.7800 0.7450

Commentary:



- Employers struggle to fill jobs; Christchurch rebuilding affected (Tue 29-May).
- Housing consents decline in April (Wed 30-May).

Nearly half of Kiwi employers are having trouble finding key staff, a survey from recruitment agency Manpower Group shows. Manpower has released the results of its annual Talent Shortage Survey, showing 48% of employers in New Zealand are experiencing difficulty filling job vacancies, up 11% points from last year. The results sit well above the global average of 34% and have moved passed the Asia-Pacific average of 45%. The jobs employers have the most problems filling are engineers, sales reps and skilled trades. Skills shortages will worsen with the Christchurch rebuilding set to take off this year, putting a huge amount of pressure on the local labour market, with the estimated need for workers outstripping the available local talent pool.

National housing consents fell in April after a big jump up in March, according to Statistics New Zealand figures. In April there were consents issued for 1230 new homes, including apartments, down 21% from the 1559 issued in March. The value of home and apartment building consents in April was NZ\$364 million, down from NZ\$430 million in March, which was the best monthly value for several years. Excluding apartments, there were consents for 1092 new homes, down 21.7% from 1394 in March.



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