



Short Term Currency Views

Suggested MaxiYield Pairings

| | | |
|-----------------------|-------------|--------|
| Base Currency: | EUR | USD |
| Alternate Currency: | USD | EUR |
| Strike Price: | 1.2600 | 1.2300 |
| Spot Ref: | 1.2490 | |
| Tenor: | 2 weeks | |
| Date: | 06 Jun 2012 | |
| Time: | 14:45 hrs | |
| Resistance / Support: | 1.2530 | 1.2310 |
| Commentary: | | |



- Syriza vows to cancel Greek bailout terms if elected (Fri 01-Jun).
- S&P: "One in three" chance Greece quits eurozone (Mon 04-Jun).
- Emerging market central banks sell euros (Sun 03-Jun).
- Eurozone factory prices stable; PPI for April at 0% m/m, 2.6% y/y (Mon 04-Jun).
- Eurozone suffers worst PMI downturn in three years (Tue 05-Jun).
- G7 agree to co-ordinated EU responses (Wed 06-Jun).
- Eurozone Q1 GDP (Wed 06-Jun, 17:00 SGT).
- Eurozone Refinancing Rate (Wed 06-Jun, 19:45 SGT).

Greece goes to the polls for the second time in six weeks on June 17 after an inconclusive vote on May 6 saw parties supporting the EU-IMF debt accord take a drubbing from voters hostile to endless austerity and higher taxes. Alexis Tsipras, head of Greece's biggest anti-bailout party Syriza, appealed to Greeks to give him the power in new elections on June 17 to cancel the terms of an international bailout and restore pensions and wages. S&P said: "We believe there is at least a one in three chance of Greece exiting the eurozone in the coming months" if it were to reject the austerity measures and reforms agreed to in exchange for a massive EU-IMF bailout.

Central banks in emerging markets have been dumping euros to shore up their own currencies, contributing to the euro's drastic slide in recent weeks, according to traders. The euro lost nearly 7% against the US dollar in May – its biggest monthly fall since September – as fears over a Greek exit from the euro grew and investors sold the government debt of peripheral European nations. Slowing global growth has caused many emerging market central banks to sell euros and buy their own currencies.

Eurozone factory prices were unexpectedly stable in April from March, marking the fourth straight month of weakening inflation pressures and offering the ECB some space to cut interest rates as the continent's economy slumps. Prices at factory gates in the eurozone were unchanged in April, the EU's statistics office Eurostat said on Monday. Economists had forecast a 0.2% rise. Producer price inflation on an annual basis was also lower than expected at 2.6% in April versus estimates of 2.7%.

Eurozone private sector activity suffered its worst monthly slide in nearly three years in May, a survey showed Tuesday, with "alarmingly steep" declines in Spain, Italy and now also France. The full Purchasing Managers Index (PMI) compiled by the London-based research firm Markit fell to 46.0 points in May, down from 46.7 in April in what amounted to the fastest rate of decline since June 2009. The final score was a shade better than the first estimate of 45.9 points.

The scheduled teleconference among G7 Finance Ministers on Tuesday did not produce anything new. The G7 leaders in a conference call urged Europe to be more aggressive tackling the sovereign debt crisis that is entering into its 3rd year while the Japanese Finance Minister Azumi revealed further on Wednesday that G7 policymakers agreed to work together to ease financial market worries ahead of the G20 summit in Mexico on 18-19 June.

| | | |
|-----------------------|-------------|--------|
| Base Currency: | GBP | USD |
| Alternate Currency: | USD | GBP |
| Strike Price: | 1.5550 | 1.5250 |
| Spot Ref: | 1.5446 | |
| Tenor: | 2 weeks | |
| Date: | 06 Jun 2012 | |
| Time: | 14:45 hrs | |
| Resistance / Support: | 1.5530 | 1.5270 |
| Commentary: | | |



- UK PMI Services (Thu 07-Jun, 16:30 SGT).
- BoE MPC facing crunch decision on more stimulus; lending rate expected to remain unchanged (Thu 07-Jun, 19:00 SGT).

Bank of England policymakers meet tomorrow to decide whether the eurozone's worsening debt crisis means they will have to inject more stimulus into Britain's recession-hit economy with billions of new cash (QE). The bank's rate-setting Monetary Policy Committee (MPC) will likely consider the option at its latest monthly meeting on Thursday, when it is also widely expected to keep its key lending rate at a record low 0.50%. A string of recent weak data has raised questions about the health of the British economy, which faces headwinds from falling consumer spending, austerity cuts and the debt crisis in major trading partner the eurozone.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0000 0.9700
Spot Ref: 0.9841
Tenor: 2 weeks

Date: 06 Jun 2012
Time: 14:45 hrs

Resistance / Support: 0.9900 0.9690

Commentary:



- TD Securities: Australia May inflation gauge flat at 1.8% annual rate (Mon 04-Jun).
- RBA calms nerves with 0.25% rate cut (Tue 05-Jun).
- Australian Bureau of Statistics (ABS) – Current account widens as exports shrink (Tue 05-Jun).
- Australian Q1 GDP expands at more than twice forecast rate (Wed 06-Jun).

The TD Securities-Melbourne Institute's measure of consumer prices was flat in May, following a 0.3% rise in April. This saw the annual pace slow to 1.8% from 1.9%, under the RBA's long-term target of 2% to 3%. The annual inflation rate forecast is expected to remain at the lower-end of the RBA's target band. Despite a 6.7% slump in the Australian dollar in May, it was still helping contain inflation by driving down prices of imported goods.

The RBA has moved to calm rattled households and non-mining sectors of the economy by shaving 0.25% from the cash rate. The move takes the official interest rate to 3.5%, its lowest level since November 2009 amid the global financial crisis. Federal Treasurer Wayne Swan said the decision would give Australians confidence that the RBA had further room to move on rates given the Government's plan to return the budget to surplus next year. Given that markets were expecting a 0.50% cut, more rate cuts are expected in 2012 due to uncertainty over the European and Chinese economies as well as weakness in Australia's non-mining sectors.

The latest current account figures show the resources investment boom is not yet boosting economic growth. ABS figures show the current account deficit widened by 55% in the first quarter of the year to A\$14.9 billion. The deficit was widened by the high aussie, which kept exporters uncompetitive, and global economic uncertainties, which weighed on the value of metal ores and minerals. The ABS estimates the deficit will shave 0.5% from economic growth in the period.

Australia's economy expanded at more than twice the pace economists forecast last quarter, driven by household spending and engineering construction. Q1 GDP advanced 1.3% from the previous quarter, when it rose a revised 0.6%. Economists in a Bloomberg survey were only expecting a 0.6% gain. The major driver of growth in the quarter is the investment phase of the mining boom gathering momentum. Despite the eurozone concerns, and hits to confidence, household spending remains solid.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.7700 0.7500
Spot Ref: 0.7624
Tenor: 2 weeks

Date: 06 Jun 2012
Time: 14:45 hrs

Resistance / Support: 0.7650 0.7510

Commentary:



- NZ business confidence falls for first time this year (Thu 31-May).
- NZ Treasury says Economic risks increased (Tue 05-Jun).
- Deficit better than Budget forecast (Wed 06-Jun).

NZ business confidence fell for the first time this year amid concerns that a European crisis will slow global demand and curb exports, according to ANZ National Bank. A net 27.1% of companies polled expect the economy will improve in the next 12 months, down from 35.8% in April. The gauge declined for the first time since December as export intentions fell to a 3-year low as Europe's debt turmoil weighs on commodity prices and returns from overseas sales, which make up 30% of the economy.

NZ Treasury is sticking with the central forecasts contained in its May 25 Budget though it admits the downside risks to its outlook have increased. In its monthly update to ministers, it said the Budget's central economic scenario remains "appropriate at present" despite the worsening situation in Europe. Business activity indicators point to GDP growth of around 0.5% in coming quarters, similar to Budget forecasts. Domestic business and household data in May were consistent with the modest GDP growth forecast for coming quarters incorporated in the Budget document, it said. "We have seen some negative impacts on NZ, although there have been offsets.

Just when the financial clouds seemed to be darkening, the Government has been given a boost with news the deficit is tracking NZ\$1.4 billion better than forecast in the Budget just two weeks ago. The Government's financial statements for the 10 months to April 31 show tax revenue was NZ\$772m or 1.7% higher than forecast mainly thanks to corporate tax coming in NZ\$452m or 7% ahead of expectations.



For more reports,
use your smartphone
to scan the QR code

Disclaimers

The information herein is given on a general basis without obligation and is strictly for information purposes only. It is not intended as an offer or solicitation with respect to the purchase or sale of any investment or insurance product mentioned herein. Nothing herein should be construed as a recommendation or advice to transact in any investment or insurance product mentioned herein.

Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("the Company") and its employees cannot be held liable for any errors, inaccuracies or omissions, howsoever caused, or for any decision or action taken based on the information or views expressed in this publication. The Company does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.

The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.