



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2450	1.2100
Spot Ref:	1.2296	
Tenor:	2 weeks	
Date:	01 Aug 2012	
Time:	11:40 hrs	
Resistance / Support:	1.2500	1.2050
Commentary:		



- ECB will do whatever it takes to save the euro, says Draghi (Thu 26-Jul).
- Spanish recession deepens in Q2, flash GDP contracts 0.4% q/q (Mon 30-Jul).
- Eurozone unemployment at record high in June at 11.2% (Tue 31-Jul).
- Final eurozone manufacturing PMI expected to confirm weak flash estimates (scheduled for release Wed 01-Aug).
- US endorses European commitment to defend eurozone (Mon 30-Jul).
- Eurozone consumer confidence dips to 3-year low (Mon 30-Jul).
- US Treasury Secretary Geithner and German Finance Minister Schaeuble backed the commitment by EU leaders to do everything needed to defend the euro, but failed to mention its weakest link, Greece.
- Eurozone inflation unchanged at 2.4% seasonally adjusted (Tue 31-Jul).

ECB President Draghi said it would "do whatever it takes to preserve the euro", implying a restart of its bond purchase programme to help contain the rising yields in Spain and Italy which had reached unsustainable levels. 10-year yields for Spain fell 45bp to 6.93% while Italy's declined 41bp to 6.03%. US Treasury Secretary Geithner and German Finance Minister Schaeuble backed the commitment by EU leaders to do everything needed to defend the euro, but failed to mention its weakest link, Greece.

According to a Spanish newspaper, El Pais, the Spanish government will not hand in its budget for 2013 and 2014 to Brussels by 31 July as required by the EC when the commission agreed to postpone Spain's 3% deficit target by 1 year to 2014. Spain's GDP contracted further in Q2 by 0.4% q/q (-1.0% y/y) from -0.3% q/q (-0.4% y/y) in Q1.

The July Eurozone consumer confidence indicator was revised slightly better to -21.5 (from the previous estimate of -21.6), although it remains at a 3-year low.. Eurozone economic confidence was reported at 87.9 in July, lower than the expected 88.9 and June's 89.9 survey result. The business climate indicator was reported at -1.27 for July, also disappointing expectations for a -1.09 survey result. June's business climate indicator was revised lower to -0.95.

Eurostat, the EU's statistics office, said 17.801 million people were out of work in the eurozone in June. That was 123,000 more than May, and is the highest level since the euro was formed in 1999. The increase was the 14th in a row and means that around 2.25 million people have lost their jobs since April 2011. Despite the increase, the seasonally adjusted unemployment rate in June was unchanged at a record 11.2% after May's unemployment rate was revised upwards from 11.1%.

Final eurozone manufacturing purchasing managers' index (PMI) readings on Wednesday are also expected to confirm weak flash estimates for July, which earlier signalled that the eurozone's economy shrank a 10th time in the past 11 months. Chris Williamson, chief economist at Markit, which compiles the PMI, said the euro area downturn "shows no signs of letting up at the start of the third quarter", with Germany now contracting at its steepest rate in three years.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5800	1.5550
Spot Ref:	1.5671	
Tenor:	2 weeks	
Date:	01 Aug 2012	
Time:	11:40 hrs	
Resistance / Support:	1.5880	1.5424
Commentary:		



- UK mortgage approvals decline to lowest level in 18 months (Mon 30-Jul).
- UK retail-sales growth slows after Jubilee surge, CBI says (Mon 30-Jul).
- UK July consumer confidence stalls as recession deepens, GfK says (Tue 31-Jul).

UK mortgage approvals fell more than economists forecast in June to an 18-month low (December 2010) as concerns about the euro area mounted and Britain's recession deepened. Lenders granted 44,192 loans to buy homes, compared with a revised 50,544 in May, the BoE said Monday. Economists predicted that approvals would drop to 48,000. Net mortgage lending fell £355 million in June from May, the most in 18 months. The housing market may have been affected by wet weather and the extra holiday.

A monthly CBI survey showed the annual change in sales fell to 11, the lowest since April, from 42 in June, when it was boosted by an additional public holiday for the queen's jubilee. That's below the reading of 32 that retailers predicted. A measure of expected sales for August was at 3, indicating further declines in sales growth.

UK consumer confidence was unchanged in July as efforts by the government and the BoE to pull the economy out of a recession failed to lift sentiment, GfK NOP said. An index of sentiment stayed at minus 29. The gauge has been in a range of minus 29 to minus 31 for the past seven months. A measure of Britons' outlook for the economy over the next 12 months rose 1 point to minus 30 in July from minus 31 in June, though it remains 3 points below the July 2011 figure.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0550 1.0300
Spot Ref: 1.0493
Tenor: 2 weeks

Date: 01 Aug 2012
Time: 11:40 hrs

Resistance / Support: 1.0555 1.0390

Commentary:



- Aussie dollar safety valve role choked as commodity slumps (Mon 30-Jul).
- Central banks seeking Aussie dollar as reserves, currency gains (Mon 30-Jul).
- Online sales grow in June (Wed 01-Aug).
- Australian house prices unexpectedly rose, showing RBA rate cuts were effective (Wed 01-Aug).

The pivotal role of the Aussie dollar was underlined last week by RBA governor Glenn Stevens when he identified two major offshore risks to Australia: a global financial crisis out of Europe and a hard landing in China. In both cases the first offset he cited was a fall in the local dollar. "If there is a serious slump in China's economy, the Australian dollar would probably fall, which would provide expansionary impetus to the Australian economy" was Mr Stevens' reasoning. Back in 2008, when measured against a basket of currencies, the Aussie dollar's trade weighed index sank 30% in just three months giving a big boost to the country's exports. And it seemed to be starting again earlier this year as a flare-up in the euro crisis and worries about China's slowdown saw the TWI drop 8% between March and May. But not only was the decline much smaller, the pattern broke down completely in June when the currency reversed course and recouped almost all its losses.

Sinking commodities prices for iron ore and coal are sapping Australia's export earnings and putting at risk billions of dollars of mining investment. Typically the Aussie would act as a safety valve, falling in line with commodities to boost exports. But this time demand from investors and central banks fleeing the euro for safer returns has seen it strengthen for the past eight weeks. Desperate to diversify their currency reserves, central banks from Kazakhstan to Switzerland have been buying the Aussie dollar and investing in Australian government bonds, one of the few liquid triple-A sovereign debts left. The Bundesbank will add the Aussie to its reserves later this year.

The National Australia Bank Online Retail Sales Index shows online spending in June was up 19% from June 2011, and up 14% from May. Online sales growth has been stronger than that of bricks and mortar stores, which rose from 0.2% in June 2011 to 4.2% in June 2012, in non-seasonally adjusted terms. The value of online retail sales is equivalent to 5.3% of the traditional retail sector, NAB said.

Australian capital city house prices rose 0.5% in Q2. This compares with an upwardly revised 0.1% fall in Q1. In the year to June, the house price index fell 2.1%, the ABS said on Wednesday. Economists had expected a fall of 0.7% for the June quarter. The data reflected 1.25% of rate cuts by the RBA since November as inflation slowed.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8200 0.7950
Spot Ref: 0.8110
Tenor: 2 weeks

Date: 01 Aug 2012
Time: 11:40 hrs

Resistance / Support: 0.8281 0.7964

Commentary:



- RBNZ holds interest rate at 2.5% (Thu 26-Jul).
- NZ business confidence recovers (Tue 31-Jul).

The RBNZ held the official cash rate at 2.5% on Thursday due to a "poor" outlook for New Zealand's trading partners and a limited risk of a meltdown in the eurozone. Economists say the first rate rise is not expected for 9 to 12 months. Reserve Bank Governor Alan Bollard said the country's economic outlook remains consistent with that described by the bank in its June Monetary Policy Statement. "It remains appropriate for the OCR to be held at 2.5%," he said, adding that while domestic construction activity continues to bolster growth, fiscal consolidation and the NZD strength is constraining demand growth. Inflation expectations for the year ahead edged up to 2.55%, from 2.52% in the previous month, well within RBNZ's 1%-3% target band.

New Zealand's business confidence recovered for the first time in three months in July, a bank survey showed on Tuesday, as financial markets expected interest rates to remain at a record low level over the year because of an uncertain global outlook. The National Bank of New Zealand's monthly business outlook showed a net 24% of companies expect their own business to grow in the next 12 months, compared with a 20.8% optimism level in June. A National Bank Business Outlook survey showed sentiment amongst New Zealand firms had improved to plus 15 in July from plus 13 a month ago, with the services and construction sectors leading the charge.



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