



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2550	1.2250
Spot Ref:	1.2462	
Tenor:	2 weeks	
Date:	22 Aug 2012	
Time:	11:30 hrs	
Resistance / Support:	1.2555	1.2280
Commentary:		



- Euro advance as Merkel supports ECB plan (Thu 16-Aug).
- ECB "to supervise" all eurozone banks (Fri 17-Aug).
- ECB denies reports of yield-capping plans (Mon 20-Aug).
- Euro advances to 6-week high on Greece crisis optimism (Tue 21-Aug).

Chancellor Merkel backed the ECB's insistence on conditions for helping reduce borrowing costs in indebted countries, saying Germany is "in line" with the ECB's approach to defending the euro. "Obviously time is pressing" on stamping out the debt crisis, though "on many of these issues we feel we're on the right track," Merkel said last Thursday at a press conference with Canadian PM Stephen Harper. Euro-area policy makers "feel committed to do everything we can to maintain the common currency."

The EC wants the ECB to act as supervisor for all eurozone banks, including Germany's local savings and cooperative banks, not just the region's biggest, the business daily Handelsblatt reported on Friday. German Justice Minister Leutheusser-Schnarrenberger said that plans for a banking supervisor for systemically relevant banks is "on the European agenda, however for savings banks that enjoy a high level of trust and made it through the crisis very well, there is no need for additional controls."

Germany's Bundesbank piled up its criticism of the ECB's bond-buying program, noting that the program will "entail significant stability risks" in its monthly report published 20 August, while the ECB denied a report it was planning to cap yields on bonds of nations in the region, squashing earlier speculation that ECB is considering possibly setting interest rate thresholds for bond purchases. Spain's government gave explicit comments that they want the ECB to provide clear commitment to large, open-ended sovereign debt buying before Spain will approach the EFSF, the euro-zone's temporary bailout fund for aid and to participate in a full-state bailout programme.

The euro rose to six-week highs against the greenback before European leaders meet this week to discuss Greece's fiscal adjustment program amid optimism the European debt crisis is being contained, after Germany indicated concessions for Greece were possible and as Spanish borrowing costs declined at a bill auction. The dollar weakened against most of its 16 major counterparts before a report tonight forecast to show US home sales improved last month, reducing demand for safer assets.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5900	1.5650
Spot Ref:	1.5778	
Tenor:	2 weeks	
Date:	22 Aug 2012	
Time:	11:30 hrs	
Resistance / Support:	1.5880	1.5650
Commentary:		



- British retail sales climb in July (Thu 16-Aug).
- Surprise July deficit threatens UK austerity plans (Tue 21-Aug).
- Recession leads UK businesses to delay investment: survey (Wed 22-Aug).

Retail sales rose 0.3% in July after a gain of 0.8% in June, boosted by petrol promotions and high levels of discounting, the Office for National Statistics said Thursday. Market expectations had been for a flat reading, according to analysts polled by Dow Jones Newswires, while the ONS revised upward July's level after an initial gain of 0.1%. Sales in July meanwhile surged by 2.8% compared with the same period a year earlier, exceeding forecasts for a rise of 1.6%.

Britain unexpectedly posted a budget deficit in July as corporation-tax receipts plunged, partly due to the closure of the Elgin gas field in the North Sea. The shortfall, which excludes government support for banks, was 557 million pounds compared with a surplus of 2.84 billion pounds a year earlier, the Office for National Statistics said Tuesday. A Bloomberg News survey was for a surplus of 2.2 billion pounds. Tax revenue fell 0.8% and corporation tax plunged 19.3%. Government spending rose 5.1%.

British businesses are delaying investment and employment decisions as fears about a prolonged recession are hurting their confidence, a survey by The Institute of Directors (IOD) showed on Wednesday. Britain has been mired in recession since late 2011 and the BoE has warned that the lack of confidence among businesses and consumers could lead to a downward spiral. The IOD said a poll of nearly 1,300 of its members showed that 44% of top business executives had postponed at least one investment or employment decision this year due to the uncertain environment. More than half of those said the decisions would be delayed until at least 2013.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0650 1.0350
Spot Ref: 1.0454
Tenor: 2 weeks

Date: 22 Aug 2012
Time: 11:30 hrs

Resistance / Support: 1.0660 1.0350

Commentary:



- RBA rate pause signals confidence in growth (Tue 21-Aug).
- Australian economy slowly improving (Tue 21-Aug).
- Aussie dollar falls before PMI data (Wed 22-Aug).

The RBA signalled confidence domestic growth would weather a "fragile" global economy in its decision earlier this month to maintain the highest borrowing costs in the developed world. "Domestically, the economy was forecast to grow around trend pace over the medium term," according to minutes of the Aug 7 policy meeting released yesterday in Sydney explaining why the benchmark rate was held at 3.5%. "The risk of significant economic and financial disruption in the euro area continued to cloud the outlook." The Aussie dollar is up about 7% since interest rates were lowered on June 5.

Australian economic conditions are expected to stay subdued for the rest of the year, although they will improve slowly. The Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity three to nine months into the future, rose to 2.4%. But that's still below its long-term trend of 2.7%. The Coincidence Index, an indicator of current activity, was 3.7%. That's above the long-term trend of 3.1%, the private survey shows. Westpac chief economist Bill Evans said that while economic growth would be moderate in the second half of 2012 and into 2013, conditions would improve. "Westpac anticipates that more robust growth outcomes for 2013 will require further interest rate relief, particularly given global fragilities and also given the strength of the Australian dollar at a time of weakening global commodity prices."

The Aussie dollar declined versus most of their major peers before reports that may show global manufacturing is struggling to recover, weighing on risk appetite. The PMI data are due tomorrow in Europe and China. The Aussie slipped against the greenback before the Federal Reserve releases minutes of its latest policy meeting. Demand for the Aussie was supported prior to meetings this week between Europe's leaders amid speculation they can agree on steps to contain the region's debt crisis.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8200 0.7950
Spot Ref: 0.8083
Tenor: 2 weeks

Date: 22 Aug 2012
Time: 11:30 hrs

Resistance / Support: 0.8210 0.7950

Commentary:



- New Zealand job ads gain in July: ANZ survey (Thu 16-Aug).
- NZ Producer Prices post slowest annual gain in two years (Fri 17-Aug).
- NZ urges businesses to spend more (Tue 21-Aug).

Job advertisements in New Zealand rose marginally in July, a survey showed on Thursday, underscoring the soft labour market and patchy economic performance. Vacancies advertised either online or in newspapers rose a seasonally adjusted 0.7% from June, according to the ANZ Bank's monthly survey. The increase followed a revised 1.1% fall in June, as the employment market showed further softness. Internet advertisements fell 0.3% from the previous month while newspaper ads were 6.3% higher. The composite index, which gives more weighting to newspaper advertisements, rose a seasonally adjusted 2.8%.

Prices paid by New Zealand farms, factories and other producers for commodities and services rose at the slowest annual pace in more than two years, a sign that wholesale inflation is contained. **Producer input prices** increased 1.9% in the second quarter from the year-earlier period, Statistics New Zealand said Friday. That was the smallest annual rise since the first quarter of 2010. Prices rose 0.6% from the first quarter. **Producer output prices**, which are paid to factories, farms and other producers, rose 0.3% from the first quarter. From a year earlier, output prices gained 0.5%, also the smallest annual increase since the first quarter of 2010.

The NZ government wants businesses to double their spending on research and development as part of its plan to grow the economy but even reaching that target would leave NZ below the average for developed countries. PM John Key and Economic Development Minister Steven Joyce presented the second of the six government progress reports on its Business Growth Agenda. Following on from the ambitious target set in last week's first report to lift exports, the plan is to "encourage the business sector to double their expenditure on R&D to more than 1% of GDP". Business currently spends the equivalent of 0.54% of GDP on R&D and the OECD average is 1.62%.



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