



Wednesday, 12 September 2012

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3000	1.2650
Spot Ref:	1.2868	
Tenor:	2 weeks	
Date:	12 Sep 2012	
Time:	11:15 hrs	
Resistance / Support:	1.3000	1.2660
Commentary:		



- Dismal US payroll report; QE3 expected at next FOMC meeting Sep 12-13 (Fri 07-Sep).
- US credit rating hinges on Congress - Moody's (Tue 11-Sep).
- Euro goes into danger week buoyed by ECB (Mon 10-Sep).
- Greece: Samaras's coalition partners balk at cuts as Troika disagrees (Mon 10-Sep).
- Fate of Europe in the hands of German court (due Wed 12-Sep, 16:00 SGT).

With a dismal nonfarm payroll report last Friday, risks of further easing is expected at the FOMC meeting, and with it the possibility of continuing USD weakness. The Fed looks set to launch a third round of easing to drive borrowing costs lower and breathe more life into an economy that is not growing fast enough to lower unemployment. Moody's said Tuesday it would likely strip the United States of its sterling "AAA" rating if lawmakers fail to produce a long-term debt reduction plan next year.

The optimism which followed the ECB's announcement of a new bond buying plan is tinged with caution over a court ruling due in Germany and an election in Holland. Germany's Constitutional Court will be ruling on whether to suspend the ESM on Sep 12, though consensus view is that no surprises would emerge from the court decision.

Greek PM Samaras failed to secure agreement from his coalition partners on €11.5 billion of spending cuts required by the Troika to release funds needed to keep Greece in the euro. Democratic Left leader Kouvelis, one of the three in the coalition government, said no decision had been taken on the package and that poorer Greeks must be protected from more austerity. The three leaders agreed to meet again on Sep 12, two days before euro area finance ministers meet to be briefed on Greek progress.

Germany's top constitutional court rejected a last-minute bid to delay a case over the ESM, clearing the way for a ruling on the €500 billion bailout plan today. The Federal Constitutional Court in Karlsruhe said it would issue its ruling on the ESM as scheduled today, without further comment on the bid to delay the case by lawmaker Peter Gauweiler. Germany hasn't ratified the ESM treaty and if it can't join, the mechanism won't be created, and other bailout measures might be thrown into doubt. Last week, ECB President Draghi announced the central bank was ready to buy unlimited quantities of short-dated government bonds of nations signed up for rescues from the ESM.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6200	1.5850
Spot Ref:	1.6079	
Tenor:	2 weeks	
Date:	12 Sep 2012	
Time:	11:15 hrs	
Resistance / Support:	1.6200	1.5850
Commentary:		



- UK industrial output jumps most in 25 years after Jubilee (Fri 07-Sep).
- Business confidence fell to record low in August, but employment confidence rose (Mon 10-Sep).
- UK July trade gap narrows as exports of oil, chemicals rise (Tue 11-Sep).

UK industrial production surged in July by the most in 25 years as manufacturing rebounded from disruption caused by the extra public holiday for the Queen's Jubilee. Production rose 2.9% in July, the most since February 1987, after falling 2.4% in June, the ONS said Friday. The market forecast was for a gain of 1.5%. Factory output increased 3.2%, the biggest gain since July 2002, after a 2.9% fall the previous month. The manufacturing increase also exceeded economists forecasts.

UK business confidence fell to a record low last month and a gauge of output indicated that the economy is set to remain weak, according to BDO LLP. The sentiment gauge fell to 89.1 from 93.1 in July, the accountancy firm said in a report in London. That's the lowest since the series began in 1992. The output measure dropped to 90.8 from 93.9, further below the 95 mark that points to positive growth one quarter ahead. BDO said the decline suggests growth "is likely to remain elusive in the final quarter". Separately, a survey by Lloyds Bank showed Britons' assessment of employment prospects rose to minus 43 in August from minus 51 in July.

The goods-trade gap fell to £7.2 billion from £10.1 billion in June, versus expectations for £9 billion pounds. Exports rose 9.3%, while imports fell 2.1%. On a cash basis, exports rose £2.2 billion in July from June, the most since records began in 1998. The increase in exports was led by oil, chemicals and consumer goods. The decline in imports was led by oil, semi manufactured goods and precious stones including diamonds. The ONS said trade figures have been "very volatile" in the past few months.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0550 1.0300  
Spot Ref: 1.0479  
Tenor: 2 weeks  
  
Date: 12 Sep 2012  
Time: 11:15 hrs  
  
Resistance / Support: 1.0580 1.0320  
Commentary:



- Australian construction contracts fastest pace in 11 months (Fri 07-Sep).
- Australian home-loan approvals unexpectedly drop by most in 5 months (Mon 10-Sep).
- Rebounding iron prices boost Aussie dollar (Wed 12-Sep).
- Consumer sentiment posts small rise (Wed 12-Sep).

Australia's building industry shrank in August at the fastest pace in 11 months, led by a slump in apartments and weaker engineering construction as resource industry demand wanes. The construction performance index fell to 32.2 last month from 32.6 in July, a survey by the Australian Industry Group and the Housing Industry Association showed. Australia's housing industry is struggling even after the RBA lowered its benchmark borrowing cost by a total of 1.25% from November to June.

Australian home-loan approvals unexpectedly fell in July by the most in five months as the highest interest rates among major developed economies discouraged buyers from entering the market. The number of loans granted to build or buy houses and apartments declined 1% from June, when they rose a revised 1%. The median estimate in a Bloomberg survey was for approvals to be unchanged. Economists are predicting that the RBA will resume lowering rates in November.

Another sharp rise in China's benchmark iron ore spot price has lifted the Aussie dollar and mining stocks. After bottoming at \$US86.70 a tonne on Wednesday last week, the benchmark price at Tianjin port has surged 13.5% in four trading days to climb back above \$US100 a tonne. The rapid recovery is the steepest bounce in iron ore prices recorded by The Steel Index in its four-year history.

Consumer sentiment has posted a small recovery, rising 1.6% in September after a fall the previous month. The modest gain only takes the Westpac-Melbourne Institute Index of Consumer Sentiment back to 98.2, below the key 100-point level that indicates when optimists equal pessimists. The index has now been stuck below 100 points for seven straight months, which is an unusually weak streak. The consumer is clearly stuck in an extended cautiously pessimistic phase.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.8250 0.7950  
Spot Ref: 0.8203  
Tenor: 2 weeks  
  
Date: 12 Sep 2012  
Time: 11:15 hrs  
  
Resistance / Support: 0.8270 0.7925  
Commentary:



- Statistics NZ: manufacturing volumes rose 0.3% in Q2 (Mon 10-Sep).
- REINZ: House sales gain 16% in August; Auckland leads (Mon 10-Sep).
- RBNZ expected to keep rates unchanged at 2.5% (due Thu 13-Sep).
- Fitch affirms NZ "AA" credit rating, Moody's threaten to strip US "AAA" rating; kiwi climbs to month-high (Wed 12-Sep).

NZ manufacturing sales volumes rose in Q2 as increases in meat and dairy products, transport equipment and machinery made up for a drop in petroleum and coal products. Total manufacturing rose 0.3%, seasonally adjusted, in Q2, slowing from a 1.2% pace in Q1. Excluding meat and dairy, manufacturing sales rose 0.5%. Volumes rose 1.4% from the same period a year earlier. By contrast the value of manufacturing sales fell 1.1% in Q2, following a 1.5% decline in Q1, with meat and dairy down 3.1% and petroleum and coal products down 8.2%. The decline in the value of meat and dairy manufacturing is consistent with the results of the producers' price index for Q2.

Home sales climbed 16% in August as the property market recovers from 2011's lows on the continued strength of the Auckland and Christchurch property markets. The number of sales increased by 843 to 6,035 in August compared to a year earlier and was up 2.2% on July. The increase was led by an 18.4% increase in the number of auctions to 588, a new record for the month. The national median house sale price gained 2.5% to NZ\$370,000 compared to July and is up 4.2% on August year ago.

NZ's "AA" sovereign credit rating has been affirmed by Fitch Ratings on the strength of its prudent management of monetary and fiscal policies, though the agency is sceptical the government will get its books back in the black by 2015. The kiwi dollar rallied to a month-high after Moody's warned it may downgrade the US' credit rating.



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.