



Wednesday, 26 September 2012

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3100	1.2800
Spot Ref:	1.2872	
Tenor:	2 weeks	
Date:	26 Sep 2012	
Time:	12:45 hrs	
Resistance / Support:	1.3170	1.2780
Commentary:		



- Ifo German business-confidence index dips more-than-expected for fifth month (Mon 24-Sep).
- IMF's Lagarde urges Europe, US to boost growth (Mon 24-Sep).
- Growth worries, Spain concerns keep Euro in check (Tue 25-Sep).
- Germany GfK consumer confidence matches forecasts (Tue 25-Sep).
- French business confidence beats estimates (Tue 25-Sep).

The Ifo index, a gauge of German business confidence, declined more than forecast in September. The Munich-based institute recorded a reading of 101.4 for the month against a forecast of 102.3. The Ifo expectations part of the index, which tracks outlooks by German business managers for the next six months, hit 93.2 in September versus a reading of 94.2 for the month of August. The index's decline marked its fifth successive fall.

The head of the IMF, Christine Lagarde, called for urgent action from policy makers in Europe and the US to brake a slowing global economy. "My main message is the urgent need to implement the policy actions required to secure the global recovery", Lagarde said, urging swift creation of a eurozone banking union in the debt-troubled 17-nation bloc, a commitment made by EU leaders in June that has foundered in disputes between the Germany and France. Lagarde's remarks came after Merkel and Hollande clashed Saturday over plans to allow the bloc's rescue funds to lend directly to banks instead of through member countries, which would add to their debt woes.

A report in a German newspaper saying the Bundesbank was checking the legality of the latest move by the ECB to ease the region's debt crisis also weighed in the fixed income markets. The euro dipped, as investors remained concerned about global growth and waited for Spain to unveil plans to resolve its fiscal problems. Later this week Spain is due to present its draft budget plan for 2013, outline new structural reforms for its economy, and release the results of stress tests on the banking sector.

Germany's consumer confidence is set to remain unchanged in October, which slightly eased fears of the economy slipping into a recession. The forward-looking GfK consumer sentiment index came in at 5.9 in October, unchanged from September, matching expectations. French business confidence remained unchanged in September, but was markedly below its long-term average. The headline synthetic index was at 90 in September, unchanged from August, and beating estimates of 89.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6350	1.6100
Spot Ref:	1.6166	
Tenor:	2 weeks	
Date:	26 Sep 2012	
Time:	12:45 hrs	
Resistance / Support:	1.6380	1.6150
Commentary:		



- BoE MPC minutes raise quantitative easing hopes (Wed 19-Sep).
- UK posts record August deficit as tax revenue falls (Fri 21-Sep).
- British Bankers Association (BBA) loans for house purchase rise more than forecast (Tue 25-Sep).
- Release of UK GDP Q2 final reading (due on Thu 17-Sep).

Minutes of this month's MPC meeting show some members believe more QE will soon be needed. The MPC this month voted unanimously to keep interest rates at 0.5% and leave the targeted size of the QE programme at £375 billion. The decision on QE was "relatively straightforward" for most members. Some, however, felt that more stimulus would be needed in the future, and one said there was a good case for it now. The committee expects UK GDP to rise sharply in the third quarter, following the drop in output blamed on the diamond jubilee in the previous quarter, and helped by "a possible small boost from the Olympics".

Britain posted its biggest August budget deficit on record, heaping pressure on Chancellor George Osborne as the recession hits tax revenue and pushed up spending on welfare. The shortfall excluding government support for banks was £14.4 billion. Tax revenue rose 1.8% in August from a year earlier and government spending rose 2.5%.

BBA reported that loans approved for house purchase rose unexpectedly to 30,533 in August, compared with a revised 28,750 in July, beating analysts' estimate of 28,100.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0550 1.0250  
Spot Ref: 1.0349  
Tenor: 2 weeks

Date: 26 Sep 2012  
Time: 12:45 hrs

Resistance / Support: 1.0555 1.0240

Commentary:



- Final 2011/12 budget deficit was smaller-than-expected A\$47.3 billion (Mon 24-Sep).
- Swan: Government committed to achieving surplus in 2012-13 (Mon 24-Sep).
- RBA says Australian banks strong despite EU economic woes (Tue 25-Sep).

The Australian federal budget ended in a slightly smaller than expected deficit in the last financial year. The final underlying cash deficit for 2011/12 was A\$43.7 billion, the government announced on Monday. The outcome compares to the May budget forecast for a deficit of A\$44.4 billion, and a deficit of A\$47.7 billion in 2010/11. The underlying deficit 2011/12 improved by A\$661 million from the May budget estimate. Total taxation receipts for 2011/12 were A\$290 million higher than forecast in May, reflecting solid wages and employment growth. However, this figure masks a hefty fall of A\$876 million in company tax receipts due largely to lower corporate profits.

Australia's Treasurer Wayne Swan said Monday that the government remains firmly committed to get the budget back to surplus in 2012-13, though the recent decline in commodity prices makes the task much more difficult. IMF also noted that with expected inflation within the target range, the strong Australian dollar, and given efforts to return the budget to surplus this year, monetary policy should remain accommodative, and should act as the first line of defense against near-term adverse shocks.

The RBA has given a clean bill of health to the nation's banks, but warns them against softening lending standards in the drive to reap bigger profits. In its twice-yearly Financial Stability Review released on Tuesday, the RBA said the domestic financial system was in good shape and resilient to outside shocks. This was mainly due to a strengthening in their capital, funding and liquidity positions in the wake of the global financial crisis in 2008/2009. The RBA was also pleased with the prudent spending habits exhibited by Australian households. In terms of global risk, the RBA said main concern for Australian banks was still Europe, with Greece and Spain posing a challenge to the future of the euro. "Many of the underlying problems in the euro area are yet to be effectively resolved", the RBA said.

Swaps indicate an 83% chance RBA policy makers will cut the overnight cash-rate target to 3.25% from 3.5% when they meet October 2, according to data compiled by Bloomberg.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.8300 0.8050  
Spot Ref: 0.8195  
Tenor: 2 weeks

Date: 26 Sep 2012  
Time: 12:45 hrs

Resistance / Support: 0.8290 0.8017

Commentary:



- New Zealand economy posts strong growth in year to June (Thu 20-Sep).
- Kiwi gains on Chinese economic data (Tue 25-Sep).
- US Fed Official Charles Plosser doubts effectiveness of QE3, greenback strengthens (Tue 25-Sep).

NZ's economy expanded 2.0% in the year to June, the highest annual growth in output for four years, according to Statistics NZ. It was the best result since the 2.5% rise for the year ended March 2008. The economy grew 0.6% in the June quarter from the previous three months, with agriculture (up 4.7%) and construction (up 3.3%) listed as drivers of the better-than-expected quarterly result. The country is now seeing evidence of a rebuild in Canterbury following the earthquakes.

The kiwi dollar erased declines after the Conference Board said its leading economic index for China rose 1.7% to 240.4 in August from the previous month. Demand for the kiwi dollar was limited amid concern disagreement among the euro region's leaders is curbing prospects for growth. Risk aversion eased after the release of the Chinese economic indicator, buoying riskier assets such as the kiwi dollar. China is New Zealand's second-biggest export destination.

The greenback picked up strength after Charles Plosser, president of the Philadelphia Federal Reserve, said the Fed's third round of bond purchases (QE3), which is aimed at stimulating economic activity, may not be effective. "We are unlikely to see much benefit to growth or to employment from further asset purchases", he said in a prepared speech. Plosser is a non-voting member on interest rates.



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