



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3150	1.2900
Spot Ref:	1.2980	
Tenor:	2 weeks	
Date:	24 Oct 2012	
Time:	11:15 hrs	
Resistance / Support:	1.3150	1.2935
Commentary:		



- Germany sees Q4 growth slowdown (Mon 22-Oct).
- Eurozone's combined debt surges to record high – EU's statistics office (Mon 22-Oct).
- Spain's economy shrinks for fifth quarter as Rajoy mulls bailout (Tue 23-Oct).
- Eurozone consumer confidence rises marginally to -25.6 in October from -25.9 in September (Tue 23-Oct).

The German economy will see a sharp slowdown in growth at the end of the year, the finance ministry wrote in its monthly report published Monday. Germany has so far held up to Europe's long-running sovereign debt crisis much better than its eurozone neighbours. While many eurozone countries slipped into recession, Germany notched up growth of 0.5% in Q1 and 0.3% in Q2. "In the third quarter, the economy is likely to have expanded again," the ministry said, without providing any concrete forecast, but "nevertheless, in the final quarter of 2012, growth is likely to slow substantially as economic weakness in a number of eurozone countries puts the brakes on growth."

The euro region's combined debt burden surged last year to the highest since the start of the single currency in 1999 as governments struggled to fill budget gaps and contain the fiscal crisis. The debt of the 17 nations using the euro climbed to 87.3% of GDP in 2011 from 85.4% in 2010. Greece topped the list with debt at 170.6% of GDP, followed by Italy and Portugal at 120.7% and 108.1%. The EU's debt-to-GDP limit is 60%. 14 of the 27 EU member states exceeded the bloc's debt limit last year. The euro area's total budget deficit narrowed to 4.1% of GDP in 2011 from 6.2% in 2010 as nations toughened austerity measures to contain the sovereign-debt crisis.

The Bank of Spain reported in an estimate in its monthly bulletin released in Madrid on 23 October that the Spanish economy probably contracted by 0.4% q/q (-1.7% y/y) in Q3 from -0.4% q/q (-1.3% y/y in Q2), the fifth straight quarter of contraction, adding pressure on Premier Mariano Rajoy to seek more European aid. The Q3 Spanish GDP data will be released on 30 October. In addition, the Bank of Spain noted that Spain might suffer a budget overrun for 2012.

Eurozone consumer confidence improved marginally in October against the previous month, the EC said. Consumer confidence inched up to -25.6 points in October from -25.9 points in September in the 17 countries sharing the euro. In the wider EU, consumer confidence deteriorated to -24.2 from -24.0. Consumer spending makes up more than half of the eurozone's economic output, but households are in no position to help a recovery as the impact of the debt crisis cuts their disposable income.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6150	1.5900
Spot Ref:	1.5939	
Tenor:	2 weeks	
Date:	24 Oct 2012	
Time:	11:15 hrs	
Resistance / Support:	1.6060	1.5910
Commentary:		



- UK business insolvencies decline 3.1% on mid-size firms (Mon 22-Oct).
- Britain set to confirm recession exit this week (due on Thu 25-Oct).
- Loans for house purchase rise unexpectedly in September – British Bankers' Association (Tue 23-Oct).

The number of UK business insolvencies fell in September as failures at mid-size companies declined. Insolvencies slid 3.1% from a year earlier to 1,679 companies, affecting 0.08% of all businesses last month, the Dublin-based Experian said in a statement. Bankruptcies at firms with 26 to 50 employees dropped 16% to 92 companies, with 0.19% of businesses of that size affected compared with 0.23% a year earlier.

Data released this week may show the UK exited a recession in Q3, with economists in a Bloomberg News survey forecasting expansion of 0.6% compared with the previous three months. Still, the recovery may be restrained by the euro-area sovereign-debt crisis and the UK government's fiscal squeeze. Positive retail-sales data published last week added to market belief that British GDP had turned positive heading into next year.

The British Bankers' Association (BBA) reported that loans approved for house purchase rose to 31,175 in September, compared with a revised 30,683 in August, beating analysts' median estimate of 30,840.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0400 1.0200
Spot Ref: 1.0309
Tenor: 2 weeks

Date: 24 Oct 2012
Time: 11:15 hrs

Resistance / Support: 1.0410 1.0220
Commentary:



- Australia to tighten spending to meet budget surplus pledge (Mon 22-Oct).
- Investors pricing in a 99% chance of a 0.25% rate cut at next RBA policy meeting November 6 (Mon 22-Oct).
- CPI rises 1.4% in Q3 (annual rate of 2%), biggest quarterly jump in 2 years – ABS (Wed 24-Oct).
- Some economists say RBA may not cut rates in November (Wed 24-Oct).

Australia's government will tighten health-care spending and scale back family support payments to help deliver an election-year budget surplus, giving the central bank scope to further reduce interest rates. The underlying cash surplus will be A\$1.08 billion in the 12 months ending June 30, compared with a A\$1.54 billion surplus seen in May, the government said in a mid-year review released Monday. Spending is forecast to be A\$363.2 billion compared with a May projection of A\$364.2 billion, while the revenue estimate was cut to A\$367 billion from A\$368.8 billion.

For the RBA's November 6 policy meeting, investors are pricing in a 99% chance of a 0.25% reduction to 3%, up from 96% before the release of budget tightening plans, swaps data compiled by Bloomberg showed. During a press conference Treasurer Wayne Swan said that while the global economic slowdown makes delivering the surplus harder to achieve, Australia remains a "beacon of strength," with trend growth and low unemployment.

Australian inflation jumped during the September quarter but remains at levels weak enough to allow room for the RBA to cut rates again in November. Data out today showed inflation rose 1.4% in the three months to the end of September following the introduction of the carbon tax on 1 July. Economists polled by Bloomberg tipped a 1% rise as the impact of the carbon tax filtered through the economy. On an annual basis, inflation increased 2%, up from a 1.2% rise in the year to June, higher than expectations for a rise to 1.6% in the year to September. Core inflation, which is the number the RBA looks at when deciding on rates, was 2.5% in the year to September.

Some economists say the larger-than-expected rise in inflation for the September quarter increased the likelihood that the RBA would decide against cutting the cash rate at its November 6 meeting. Expectations have increased for a rate cut in December, rather than November. The Aussie spiked above \$1.03 after the data was released.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8250 0.8050
Spot Ref: 0.8128
Tenor: 2 weeks

Date: 24 Oct 2012
Time: 11:15 hrs

Resistance / Support: 0.8200 0.8110
Commentary:



- RBNZ will likely keep policy rate unchanged at 2.5% (due on Thu 25-Oct, 04:00 SGT).
- House prices rose by 6% during the year to September 2012 – Real Estate Institute of New Zealand [REINZ] (Tue 23-Oct).
- Kiwis spend over NZ\$83 billion on goods and services (Wed 24-Oct).

RBNZ's Governor Graeme Wheeler is expected to resist pressure from unions and exporters to counter a rising currency by cutting interest rates in his first policy decision meeting. The Governor will likely keep the benchmark interest rate unchanged at 2.5% on Thursday, while the Council of Trade Unions wants the new governor, a former World Bank official who started on the job a month ago, to respond to the slowest inflation (0.8% year-to-September) in 13-years by reducing the benchmark rate.

Residential property prices in NZ have continued to rise in Q3 of 2012, with median prices rising by 6% to NZ\$371,000 during the year to September 2012, according to REINZ. Auckland has the most expensive housing with an average price of NZ\$515,000 while Southland has the cheapest at NZ\$200,000. This was supported by data released (9-Oct) by the government valuer Quotable Value, showing that the residential property price index increased by 5.3% during the year to end-September 2012.

New Zealanders spent more than NZ\$83 billion on goods and services in the last financial year. That's over NZ\$19,000 on average per person, or NZ\$50,000 for every household. The bulk of it goes on housing, food and transport. They also show that spending per person has risen by 40% in the last 20 years. Household consumption expenditure accounts for around 60% of GDP. The figures have been revealed in the latest household consumption report from the Ministry for the Environment.



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