



Wednesday, 14 November 2012

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2850	1.2600
Spot Ref:	1.2714	
Tenor:	2 weeks	
Date:	14 Nov 2012	
Time:	11:30 hrs	
Resistance / Support:	1.2875	1.2610
Commentary:		



- Greece approves 2013 austerity budget (Mon 12-Nov).
- Eurozone, IMF clash over Greek debt target date (Tue 13-Nov).
- German economy seen slowing in Q3 as eurozone cuts back (Mon 12-Nov).
- German investor confidence unexpectedly down in November (Tue 13-Nov).
- Hollande denies strains with Merkel, promises reforms (Tue 13-Nov).

Greek MPs have approved the country's 2013 austerity budget - which involves fresh spending cuts. The budget was passed by a 167-128 vote in the 300-member parliament. It came days after a separate bill of deep spending cuts and tax hikes for the next two years squeezed through with a narrow majority following severe disagreements among the three parties in the governing coalition. Prime Minister Samaras pledged that the spending cuts would be the last Greeks have to endure.

Eurozone finance ministers suggested on Monday that Greece should be given until 2022 to lower its debt/GDP ratio to 120% but IMF chief Christine Lagarde insisted the existing target of 2020 should remain. With Greece's overall debt pile set to hit 190% of GDP next year, the IMF has set 120% as the target, saying that anything much above that is not sustainable given Greece's low growth prospects and high external borrowing requirements.

Growth in Germany slowed in Q3 as firms unnerved by the eurozone crisis postponed investments and lost export markets, preliminary data is expected to show Thursday. German GDP expanded by 0.5% in Q1, slowing to 0.3% in Q2 and economists see growth weakening further to 0.2% in Q3. The Economy Ministry said GDP probably increased slightly in Q3, but warned that growth would slow in Q4 and Q1 of 2013. The eurozone crisis is prompting Germany's trading partners to cut back on purchases.

The ZEW institute said on Tuesday that Germany's investor confidence index unexpectedly fell to minus 15.7 points in November from minus 11.5 last month, and that this month's drop may be due to disappointing indicators such as poor industrial orders. Economists had expected a third straight monthly increase.

President Francois Hollande on Tuesday denied strains with eurozone powerhouse Germany over the way to combat the debt crisis, marked by rising ire over France's flagging economy. Describing Franco-German relations as "good", Mr Hollande denied rumours of a chill between the two following reports in the German media that Berlin was worried that Paris would fail to push through decisive economic reforms. Mr Hollande focuses on spurring growth while Ms Merkel's focus is on austerity-only policies.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6050	1.5800
Spot Ref:	1.5883	
Tenor:	2 weeks	
Date:	14 Nov 2012	
Time:	11:30 hrs	
Resistance / Support:	1.5998	1.5785
Commentary:		



- Government grabs BoE cash for short-term boost (Fri 09-Nov).
- UK inflation rate rises to 2.7% in October, more QE unlikely as inflation above BoE target 2% rate (Tue 13-Nov).

The cash-strapped British government said last Friday it would grab an expected £35 billion windfall from the Bank of England's bond-buying programme to reduce short-term borrowing. Bank Governor Mervyn King said the move equated to a modest loosening of monetary policy, potentially giving a boost to the stagnant economy, and economists said it may help Chancellor George Osborne meet his debt reduction targets. "The Committee views the use of coupon income to reduce the stock of outstanding gilts as having an effect similar to the MPC purchasing gilts of the same value," King said.

The UK's inflation rate rose sharply last month following an increase in tuition fees and food prices. The ONS said the rate of CPI inflation rose to 2.7% in October, up from 2.2% the month before. Education costs rose by 19.1% last month after the government lifted the cap on university fees. The RPI measure of inflation which includes housing costs rose to 3.2% from 2.6%. The rise in inflation may make it less likely that the BoE will provide further quantitative easing stimulus to the economy.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0550 1.0350
Spot Ref: 1.0446
Tenor: 2 weeks

Date: 14 Nov 2012
Time: 11:30 hrs

Resistance / Support: 1.0520 1.0332

Commentary:



- RBA cuts 2013 growth outlook on weaker mining, tighter budget (Fri 09-Nov).
- Hourly pay rates up 0.7% in September quarter (Wed 14-Nov).
- National Australia Bank (NAB) sticks with sub-trend growth forecast (Wed 14-Nov).

The RBA reduced its 2013 growth forecast as lower investment in iron-ore, coal and natural-gas projects and the government's pledge to deliver an election-year budget surplus restrain the economy. The RBA in its quarterly monetary policy statement predicted a peak in resource spending at about 8% of GDP from a prior 9%. It said "a slightly weaker" domestic economy and labour market should help contain inflation. It predicted year-average GDP growth of 2.25% to 3.25% in 2013, lower than its August estimate of 2.75% to 3.25%. Consumer prices will rise 2% to 3% in the year to December 2013 and underlying inflation the same rate, unchanged from three months ago.

Total hourly rates of pay, excluding bonuses, rose by a seasonally adjusted 0.7% in the September quarter. The wage price index rose 3.7% from a year earlier, the ABS said on Wednesday. The median market forecast was for a rise of 0.8% in the September quarter. In the June quarter, the index rose an unrevised 1.0%.

National Australia Bank is sticking with a 2012/13 economic growth forecast pegged below official predictions, after its latest business survey showed conditions at their weakest in over three years. NAB economists are forecasting economic growth of just 2.3% this financial year, well below the 3% expected by federal Treasury and the RBA in their updated projections of the past couple of weeks. Releasing its October business survey on Tuesday, NAB said the economy appeared to have "stumbled" into the December quarter with growth "clearly below trend". Its business conditions index deteriorated further in October, down 2 points to minus 5 points, the lowest level since May 2009. Business confidence also eased 1 point to an index of minus 1, despite the RBA cutting the cash rate in October.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8300 0.8100
Spot Ref: 0.8173
Tenor: 2 weeks

Date: 14 Nov 2012
Time: 11:30 hrs

Resistance / Support: 0.8230 0.8082

Commentary:



- NZ jobless rate reaches 13-year high 7.3%; kiwi tumbles (Thu 08-Nov).
- NZ retail sales unexpected fall in Q3 (Wed 14-Nov).
- Debt leaves NZ banks vulnerable - S&P (Wed 14-Nov).

NZ's unemployment rate unexpectedly hit a 13-year high as the pool of jobs shrank for a second straight quarter with a flat labour market in Auckland and fewer full-time workers. The unemployment rate rose 0.5% to 7.3% in Q3, the highest level since June 1999, according to StatsNZ's household labour force survey. Economists were expecting a 0.1% point fall to 6.7% and a 0.3% pick-up in jobs growth. The number of people employed fell 0.4% to 2.22 million in its second quarterly decline, while the participation rate was unchanged at 68.4%. Full-time employment shrank 0.8% to 1.7 million while part-timers rose 1.4% to 519,000. The kiwi dollar tumbled half a US cent.

New Zealand retail sales volumes unexpectedly fell in the third quarter, led by supermarkets and motor vehicles, sending the kiwi dollar lower on speculation the economy is weak enough to warrant a rate cut from the RBNZ next month. The volume of retail sales fell 0.4%, seasonally adjusted, in the September quarter, for a 2.1% gain from a year earlier, according to Statistics New Zealand. Economists had forecast a quarterly gain of 0.5% for an annual increase of 2.9%. RBNZ governor Graeme Wheeler has said he has room to cut interest rates if needed and his next review is on December 6. Markets were pricing in a 24% chance of a cut to the official cash rate next month.

New Zealand bank credit ratings are "robust" by international standards, and the outlook is stable for all the banks, according to ratings agency Standard & Poor's. But the international credit rating agency said the banking system remained vulnerable to "external pressures". New Zealand's private sector is "highly indebted" S&P said, leaving it vulnerable to a downturn in global economic and financial market conditions. But underpinning the present stable outlook was a rise in household savings relative to income levels and a fall in the appetite for debt, the credit rating agency said. That reduced the vulnerability of households to a worsening economy.



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