



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3350	1.3200
Spot Ref:	1.3287	
Tenor:	2 weeks	
Date:	02 Jan 2013	
Time:	15:45 hrs	
Resistance / Support:	1.3350	1.3250
Commentary:		



- French public debt dips to 89.9% of GDP at end-Q3 (Thu 27-Dec).
- Merkel warns Germans of tough economic times ahead (Mon 31-Dec).
- US House of Representatives passes bill – fiscal cliff averted (Wed 02-Jan).
- Spain economy minister expects job creation in late 2013 (Wed 02-Jan).

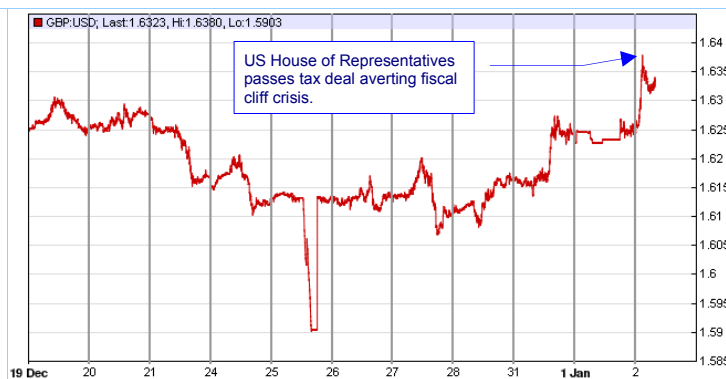
France's public sector debt fell by €14.5 billion in Q3 to €1.818 trillion, or 89.9% of GDP, down from 91.0% at end of Q2, the INSEE national statistics office said. The figure fell mainly due to lower central government debt. Debt issued through the social security system also fell though to a lesser extent, while local authority debt rose.

Chancellor Angela Merkel has warned that the German economic climate in 2013 will be "even more difficult". In her new year message, she also cautioned that the eurozone debt crisis was far from over. However, she did say that reforms designed to address the roots of the problem were beginning to bear fruit. Her comments appeared to contradict German Finance Minister Wolfgang Schäuble who said last week that the worst of the crisis was over. Germany - Europe's largest economy - has been the paymaster in the eurozone crisis, a move unpopular with many German voters and some conservative MPs in Mrs Merkel's coalition. Analysts say most Germans remain wary of eurozone bailouts but generally approve of Mrs Merkel's handling of the crisis.

The US House of Representatives voted Tuesday night (US time zone) on a bill to avert tax increases for most US workers after Republicans abandoned their effort to attach spending cuts that would have been rejected by the Senate. Oklahoma Representative The House passed the Senate's plan unchanged with a "substantial" bipartisan vote 257 to 167. The deal puts US\$109 billion in budget cuts across the government for 2 months. The US averted economic calamity on Tuesday when lawmakers approved a deal preventing huge tax hikes and spending cuts that would have pushed the world's largest economy off the fiscal cliff into recession. The deal fulfills President Barack Obama's re-election promise to raise taxes on top earners.

Spanish economy minister Luis de Guindos said on Tuesday he hoped the eurozone's fourth economy would see a return to job creation in the last quarter of 2013. "I think 2013 will be better than 2012," Mr de Guindos said on Cadena Ser radio. "The groundwork is being laid for us to begin to see positive employment growth rates in the fourth quarter of this year." Recession-mired Spain's jobless rate hit a record high of 25.02% in 2012, Europe's second highest after that of Greece.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6450	1.6250
Spot Ref:	1.6323	
Tenor:	2 weeks	
Date:	02 Jan 2013	
Time:	15:45 hrs	
Resistance / Support:	1.6400	1.6270
Commentary:		



- Britain heading in the right direction - Cameron (Sun 30-Dec).
- US Congress passes bill to avert fiscal cliff calamity (Wed 02-Jan).

Prime Minister David Cameron said on Sunday Britain was heading in the right direction on all its major issues and could look forward to 2013 with realism and optimism. In a New Year video message, Cameron said the country had made progress on cutting its budget deficit, reforming welfare and improving school standards. Deficit reduction and preserving Britain's credit rating have been goals for the coalition of Cameron's Conservatives and Lib Dems, which came to power in June 2010 just after the budget deficit peaked at 11.2% of GDP. Last year, it was down to 8% of GDP but the government's own budget watchdog forecasts it will take until 2017 before it falls below 3% and the government manages to run a surplus on cyclically adjusted non-investment spending. Chancellor George Osborne had originally planned to meet this goal by the next election in 2015, but slow growth over the last two years now makes that look impossible.

The deal to avert the fiscal cliff agreed on Monday raised income taxes only on households earning US\$450,000 a year and exempted anyone else. The vote on Tuesday night (US time zone) represented a win for Mr Obama as it raises taxes on the richest Americans in line with a re-election campaign promise - albeit above an income threshold higher than he and other Democrats had wanted. The deal also includes an end to a temporary 2% cut to payroll taxes for Social Security retirement savings - meaning all Americans will pay a little more - and changes to inheritance and investment taxes.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0550 1.0400
Spot Ref: 1.0474
Tenor: 2 weeks

Date: 02 Jan 2013
Time: 15:45 hrs

Resistance / Support: 1.0530 1.0460

Commentary:



- Positive China signal as official China PMI shows growth (Mon 31-Dec).
- Home prices fall for second straight year (Wed 02-Jan).
- Australian manufacturing index shrinks in December, for tenth consecutive months (Wed 02-Jan).
- Australia loan market subdued sentiment likely to continue in 2013 (Wed 02-Jan).

China's manufacturing activity expanded in December for a third straight month, official data showed, adding to signs the world's number two economy is emerging from a prolonged downturn. The official purchasing managers' index (PMI) stood at 50.6 in December, unchanged from the previous month, according to the China Federation of Logistics and Purchasing and the National Bureau of Statistics.

Australian capital city home prices have ended in the red for the second year in a row. The latest home value index from real estate analysts RP Data and Rismark shows capital city prices eased 0.3% in December, to be 0.4% down over the year. That is a better result than 2011's 3.8% decline. Capital city home values remain 5.7% lower than their historic highs of November 2010, however, dwelling values are up 1.8% from their low of late May 2012.

Manufacturing activity contracted for the tenth consecutive month in December, according to the Australian Industry Group (AIG). The Australian performance of manufacturing index came in at 44.3 points, unchanged from an upwardly revised reading of 43.6 points in November; meaning manufacturing was largely steady in December. The falls in activity were largest in the non-metallic minerals products sub-sector, wood and paper products, as well as the textiles sub-sector. Australian Industry Group chief executive Innes Willox said weak global demand and the softening Australian economy are continuing to weigh on the manufacturing sector.

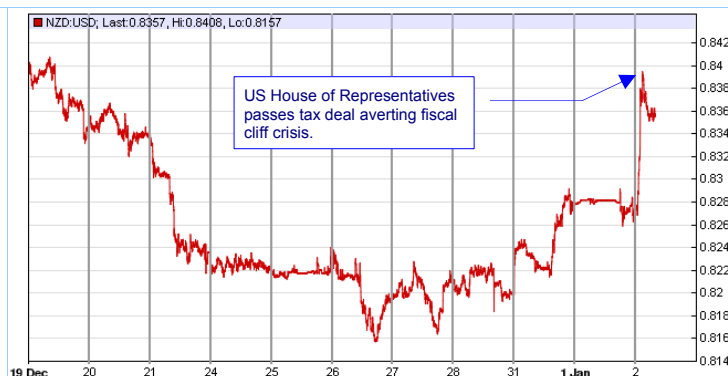
Loan volume in Australia, the region's largest loan market outside Japan, fell 25% in 2012 to US\$80 billion via 147 deals after a stellar 2011, as refinancing activity dried up and companies stayed away from new acquisitions due to an uncertain global outlook, Basis Point reported today. This subdued market sentiment would likely continue in 2013. Refinancing coming through will be on the smaller side as Australian corporates have been very proactive in dealing with refinancing, with limited refinancing towers on their balance sheets.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8450 0.8250
Spot Ref: 0.8357
Tenor: 2 weeks

Date: 02 Jan 2013
Time: 15:45 hrs

Resistance / Support: 0.8410 0.8290

Commentary:



- NZ businesses optimistic for 2013: Grant Thornton survey (Wed 02-Jan).
- New Zealand sits 10th on the world business optimism table (Wed 02-Jan).
- US Congress finally averts fiscal cliff (Wed 02-Jan).

Pam Newlove, Co-Chair and Partner, Grant Thornton New Zealand Ltd, said that business confidence has lifted 22% on this time last year to 58%, well ahead of Australia, where confidence was up only 7% to 31%. The report shows 58% of businesses optimistic about the year ahead compared to 36% in 2012. Employment aspirations show that 34% of New Zealand companies are looking to employ more staff in 2013 compared with only 8% in Australia. New Zealand companies have almost twice the level of optimism currently being experienced in Australia when it comes to forecast revenues and profitability. "70% were expecting increased revenue over the next 12 months and 58% were expecting an increase in profitability. For Australia the figures were 36% and 34%, another indicator of the shape of their economy," she said.

After fervent New Year brinkmanship, the US Congress on Tuesday finally backed a deal to avert a fiscal cliff of tax hikes and slashing spending cuts that had threatened to unleash economic calamity. The deal passed the Senate early on Tuesday, but its fate hung in the balance for hours as House conservatives sought to amend it to include big spending cuts, which would likely have killed it. In the end, the House voted 257 votes to 167 to pass the original bill with minority Democrats joining a smaller number of majority Republicans to pass the legislation after a bitterly contested and unusual session on New Year's Day. Major currencies all strengthened against the greenback.



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