



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3400	1.3200
Spot Ref:	1.3316	
Tenor:	2 weeks	
Date:	23 Jan 2013	
Time:	10:50 hrs	
Resistance / Support:	1.3400	1.3150
Commentary:		



- Merkel coalition ousted in regional vote (Sun 20-Jan).
- Davos doom dissipates as eurozone rallies (Mon 21-Jan).
- Global economy not as bad as feared as leaders gather for World Economic Forum in Davos (Mon 21-Jan).
- German growth has turned corner, worst over: ZEW economist (Tue 22-Jan).

Over the weekend, German Chancellor Angela Merkel suffered a setback in the Saxony State election, losing by a narrow margin to the SPD/Green coalition. Although she is still ahead in national polls, the narrow victory for the centre-left Social Democrats and Greens in Lower Saxony - one of the country's bellwether states - has revived the opposition's hopes for defeating Angela Merkel in the September's national election.

Dr Roubini and other economists who predicted Greece's exit by now say it's "less likely" this year, admitting their failure to appreciate the resolve of European policymakers to protect their union and the amount of pain Greeks are willing to stomach. That's a shift in tone from a year ago, when German Chancellor Angela Merkel said Europe was "labelled the big headache of the global economy" and then-Mexican president Felipe Calderon called the continent a "time bomb". Pimco's Mr El-Erian said in an e-mail "the major problem remains that Greece is unable to generate growth and jobs within the policy constraints of the eurozone. It is also unable to obtain the type of official debt relief that is needed to lift the debt overhang. Medium-term sustainability will remain elusive".

The global economy is expected to remain sluggish in 2013, with two of the biggest economies in recession - the eurozone and Japan. There's also a risk that the US, the world's largest economy, may cut government spending - a step that could dampen the world economy. Few think global economic growth will even match last year's 3.3%.

Germany's ZEW economic research institute said that Germany's economy has turned a corner and should grow again slowly from now on, after an indicator of analyst and investor sentiment rose sharply in January for a second consecutive month in a sign that the eurozone crisis is no longer hitting Germany as hard as in late 2012. Its monthly poll of economic sentiment reached its highest level since May 2010, rising to 31.5 points in January from 6.9 in December, the biggest monthly rise in a year.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6000	1.5800
Spot Ref:	1.5831	
Tenor:	2 weeks	
Date:	23 Jan 2013	
Time:	10:50 hrs	
Resistance / Support:	1.5960	1.5825
Commentary:		



- House prices rise in January as new sellers join market - Rightmove (Mon 21-Jan).
- UK December public borrowing rises as spending grows faster than income (Tue 22-Jan).
- Cameron to deliver postponed EU Speech on Wednesday (scheduled for Wed 23-Jan).

House prices rose across the UK in January, while the number of new sellers also increased as market sentiment improved. But a return to the highs seen before the financial crisis is unlikely without a sustained economic recovery, and with figures for the fourth quarter to be released Friday likely to record another contraction, that is far from assured. A monthly survey by online estate agency Rightmove showed that asking prices on its website rose 0.2% in the first weeks of January, compared with December, and were 2.4% higher than a year earlier. In December, house prices slumped 3.3% on the month and were just 1.4% higher in annual terms.

Britain's government borrowed slightly more than expected in December as spending grew faster than income in a struggling economy, thwarting efforts to erase a large budget deficit. The ONS said that public sector net borrowing excluding financial sector interventions - the government's preferred measure - rose last month to £15.419 billion from £14.848 billion in December 2011. Borrowing in the fiscal year-to-date was £78.510 billion pounds, down from £99.281 billion in 2011-12.

UK Prime Minister David Cameron will deliver an eagerly awaited speech on the future of the UK's relationship with the European Union in London on Wednesday, his spokesman said. The new date for the speech - which some say could be one of the most important addresses yet of Mr Cameron's premiership - comes after a poll showed that for the first time since the coalition took office in 2010, more people would vote for Britain to remain a member of the 27-nation bloc than to leave.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0650 1.0450
Spot Ref: 1.0537
Tenor: 2 weeks

Date: 23 Jan 2013
Time: 10:50 hrs

Resistance / Support: 1.0600 1.0370

Commentary:



- Aussie dollar higher on Japan stimulus (Tue 22-Jan).
- Tough year ahead say businesses: Australian Chamber of Commerce and Industry (Tue 22-Jan).
- Weaker-than-expected inflation numbers leave rate cut open (Wed 23-Jan).

The Australian dollar has rallied against the greenback after Japan's central bank announced new measures aimed at lifting the world's third largest nation economy out of a long period of deflation. The Bank of Japan said it would conduct "open-ended" asset purchases to help achieve its target, which is aimed at breaking the country out of a long spell of deflation. The Aussie climbed about half a US cent after the Bank of Japan announced a higher inflation target of 2%.

An ACCI survey of businesses suggest a tough year ahead, with some indicators falling to record low levels, since the survey began in 1998. It shows the majority of its indicators remain below their five-year averages over the December 2012 quarter. Expectations for the 2013 March quarter were also down, with business sentiment weak, despite a recent improvement in trading conditions. The survey highlights that government regulations, business taxes and government charges have put significant pressure on business investment, and constrained capital expenditure plans. ACCI chief economist Greg Evans has told reporters in Canberra, "This builds a strong case for the need for further interest rate cuts", adding, "The economy would certainly benefit from further rate cuts, and our expectation is that we will see that throughout 2013".

Weaker-than-expected inflation data released on Wednesday has given the RBA increased scope to cut the official interest rate when it meets in February. The consumer price index (CPI), a key measure of inflation, rose 0.2% in the December quarter, after rising by 1.4% in the September quarter, the Australian Bureau of Statistics said. In the year to December, the CPI rose 2.2%. An AAP survey of 15 economists had predicted a rise by 0.5% in the December quarter for an annual rate of 2.5%. Futures markets are currently pricing in around a 35% chance of a rate cut in February, but have priced in another two cuts in 2013.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8500 0.8300
Spot Ref: 0.8406
Tenor: 2 weeks

Date: 23 Jan 2013
Time: 10:50 hrs

Resistance / Support: 0.8475 0.8340

Commentary:



- CPI down 0.2% in December quarter (Fri 18-Jan).
- NZ homes have become less affordable than Australia (Mon 21-Jan).
- Building activity on the rise in Auckland (Wed 23-Jan).
- Downgrade on NZ's risk profile possible: Dun & Bradstreet (Wed 23-Jan).

Consumer prices fell 0.2% in the December quarter, driven by falls in vegetable prices and furniture. The drops were partly offset by higher housing and transport costs. The drop in quarterly inflation held annual inflation down at just 0.9% for the year to December. The annual rate was 0.8% in the year to September. The extremely low inflation rate points to interest rates staying on hold for some time. The CPI has fallen in four of the past five December quarters, except 2010 after the GST increase.

NZ homes became less affordable than Australia in 2012 as constrained land supply and government levies, combined with low borrowing costs, pushed prices higher. The median home price in NZ's major urban centres rose to 6.7 times gross annual median household income from 6.4 times a year earlier, according to a report by Belleville.

New building activity in south Auckland looks likely to give the region's economy a helping hand this year with a 27% rise in the number of residential consents for the 12 months ending September 2012. Auckland Council chief economist said that after a long period of sluggish activity, the construction sector is showing signs of awakening.

A word of caution on New Zealand's low-risk economic status. Dun & Bradstreet says the global economic recovery remains stalled five years after the global financial crisis. Spokesman Lance Crooks says despite NZ's relative safety, the country's overall risk profile is classified as deteriorating due to a decline in export prices and a rise in the unemployment rate to a 13-year high of 7.3% late last year. New Zealand was last downgraded in March 2011.



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