

**UOB Personal Financial Services** Deposits, Investments & Insurance Strategy Research & Product Advisory

Wednesday, 30 January 2013





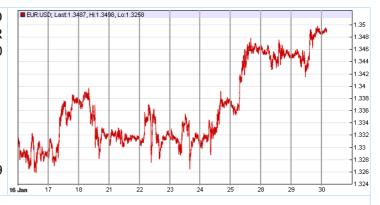
## **Short Term Currency Views**

## **Suggested MaxiYield Pairings**

Base Currency: **EUR** USD **USD EUR** Alternate Currency: 1.3550 1.3350 Strike Price: Spot Ref: 1.3487 Tenor: 2 weeks

Date: 30 Jan 2013 Time: 11:50 hrs

Resistance / Support: 1.3580 1.3379 Commentary:



- Eurozone lending falls for 8th month in December (Mon 28-Jan).
- Euro-area unemployment may have risen to a record (Bloomberg survey: Mon 28-Jan); pending official data (due on Fri 01-Feb).
- German consumer confidence edges up slightly (Tue 29-Jan).
- French Consumer Confidence Unchanged as Job Losses Slow (Tue 29-Jan).
- Spanish retail sales slump 10.7% as austerity hurts consumers (Tue 29-Jan)

Loans to companies and households in the eurozone contracted for the eighth month running in December, showing low official borrowing costs are having little success in reviving investment and spending. The ECB has cut interest rates to a record low and pumped more than €1 trillion into the banking sector, which some banks are beginning to repay early in a sign that funding conditions are improving. But lending remains weak. Loans to the private sector fell 0.7% from the same month a year ago.

Euro-area jobless data this Friday will expose the social cost of last year's debt crisis and recession on southern European economies as unemployment across the region probably rose to a record in December. Unemployment in the 17-nation bloc climbed for a fifth month to 11.9%, according to a Bloomberg survey. The result would show the highest jobless rate since records began in 1995. In contrast, German unemployment data may show its jobless rate unchanged for a fourth month at 6.9% in January

Consumer confidence in Germany appears to be stabilising or recovering slightly amid burgeoning optimism that Europe's biggest economy has put the worst of the debt crisis behind it. Market research company GfK said its household confidence index was forecast to inch upwards to 5.8 points in February from an upwardly revised 5.7 points in January. GfK said both consumers' income expectations and their willingness to spend picked up sharply and their economic expectations were also on the rise.

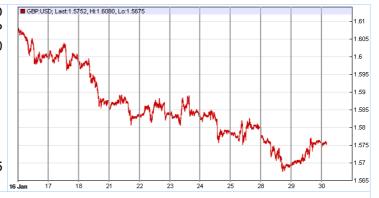
French consumer confidence was unchanged as the pace of job losses slowed. Household sentiment held at 86 in January, national statistics office Insee said. French jobless claims rose at the slowest pace in 20 months in December, according to Labour Ministry statistics published last week. The number of people actively looking for work rose by 300, the smallest increase since claims began rising 20 months ago.

Retail figures in Spain have fallen for 30 successive months, the decline accelerating since latest austerity measures applied. With sales tax hikes biting, unemployment growing and many workers and pensioners watching the real values of their income fall, Spaniards kept their wallets tightly closed, helping to produce a 10.7% fall in sales in December compared with the same month in 2011. The retail slump actually accelerated, rising from a fall of 7.8% for November and an annual rate for 2012 of 6.8%.

USD **GBP** Base Currency: **GBP** Alternate Currency: USD 1.5850 1.5650 Strike Price: 1.5752 Spot Ref: Tenor: 2 weeks

30 Jan 2013 Date: 11:50 hrs Time:

Resistance / Support: 1.5820 1.5645 Commentary:



- UK GDP falls more than forecast in Q4, prompting fears of a triple-dip recession (Fri 25-Jan).
  BoE's Miles says UK economy to pick up, advocating more QE (Mon 28-Jan).

Britain's economy shrank more than expected in Q4 of 2012, coming closer to its third recession in four years, after lower output from the North Sea and manufacturers. The ONS said on Friday that Britain's GDP fell 0.3% in Q4, more than the 0.1% decline expected. GDP grew by 0.9% in Q3. The news will be a blow for Britain's Conservative-led government, which only a day earlier defended its austerity programme against criticism from the IMF's chief economist. BoE governor Mervyn King expects no more than a "gentle recovery" this year, while last week the IMF cut its 2013 forecast for British economic growth to 1.0% from 1.1% predicted in October.

David Miles, a member of the BoE's MPC, told The Independent that productive capacity could reduce with continuing weak demand, but he believed British economic growth would pick up in 2013. He said: "I'm a bit more optimistic that growth is going to pick up ... but I suspect that it will still remain for the next year or so beneath what you might call the average cruising speed for the British economy". Mr Miles is advocating more quantitative easing because he believes there is still room for a weak economy to grow without increasing inflation, describing the printing of money as a "very powerful tool" and is at the "optimistic end of the spectrum" as to its effectiveness.



- National Australia Bank (NAB) **Business Confidence** rises sharply in December, up most in 10 years (Tue 29-Jan).
  December NAB **Business Conditions** remains weak despite confidence rebound (Tue 29-Jan).
- Gillard announces Australian election for September 15 (Wed 30-Jan).

Australian business confidence rebounded by the most in more than 10 years after the central bank's sixth interest-rate cut in 14 months and US lawmakers reached a budget deal. The confidence index for December rose to 3 from minus 9, according to a NAB survey of more than 500 companies taken January 9-15. The increase is the biggest improvement in sentiment since October 2001. It is likely that much of the change in sentiment was a result of improvements in financial and equity markets.

The business conditions gauge, a measure of hiring, sales and profits, improved to minus 4 from a revised minus 6. Business conditions remain poor. Of greater concern is the weakness in forward indicators of demand -- with poor forward orders; capacity utilization and capital expenditures at depressed levels, and credit demand back to record low levels. Traders are pricing in a 30% chance the RBA will reduce rates by 0.25% to a record-low 2.75% when the board meets next week

In a surprise move, PM Gillard broke with tradition to set the Federal election date months before the polling date - effectively setting the country up for a campaign season lasting more than eight months. "Time is not for wasting. So decisions have to be made about how we use our time this year. I can create an environment in which the nation's eyes are more easily focused on the policies, not the petty politics. I can act so Australia's Parliament and government serves their full three-year-term"

NZD USD ■ NZD:USD: Last:0.8371 . Hi:0.8449 . Lo:0.828 Base Currency: 0.846 USD NZD Alternate Currency: 0.844 Strike Price: 0.8500 0.8300 0.842 0.8371 Spot Ref: 0.84 Tenor: 2 weeks 0.838 0.836 30 Jan 2013 Date: 0.834 11:50 hrs Time: 0.832 0.83 Resistance / Support: 0.8464 0.8269 0.828 0.826 Commentary:

- Fonterra CEO seeks to reassure China, World on milk safety (Mon 28-Jan).

- Record December trade surplus, despite exports falling (Tue 29-Jan).
   Apartments, including granny flats, drive building consents (Wed 30-Jan).
   RBNZ Official Cash Rate (OCR) likely to remain unchanged at 2.50% (announcement due on 31-Jan).

Fonterra Cooperative Group, the world's largest dairy exporter, assured its biggest customer China that traces of an agricultural chemical found in some milk products posed no health risk, Chief Executive Officer Theo Spierings said. China and Taiwan are conducting tests after the NZ-based company said on January 24 that minimal levels of the fertilizer additive dicyandiamide, known as DCD, were present in some samples. The company hasn't had any customer complaints and no goods had been recalled or blocked. Fonterra accounts for about 40% of the global dairy trade and sends about 20% of its exports to China.

Demand for the kiwi dollar was supported after New Zealand's annual trade deficit unexpectedly narrowed. Imports exceeded exports by NZ\$1.21 billion in 2012, compared with a revised NZ\$1.39 billion shortfall in the year through November, the statistics office said. Economists expected a NZ\$1.87 billion gap, according to Bloomberg News. New Zealand recorded its biggest December month trade surplus since 1991 as imports, particularly of aircraft, fell more sharply than exports. The trade surplus was NZ\$486 million in December, equal to 12% of exports, roughly 10 times the average surplus of NZ\$49 million for December in the previous five years, StatsNZ said. The headline result masks an underlying fall in exports for the month of December, led by receipts from dairy products. Economists had expected a NZ\$105 million deficit.

Consents for 127 retirement village units is one feature of strong building consents data for December. They were among the 232 new apartments that received consents in December, a 57% rise from a year ago. The number of consents for new houses, including apartments, increased 9.4% in December from the same month a year ago. Consents for houses decreased 1%. StatsNZ said its estimate of the trend on the data has risen for 21 consecutive months and is 48% above the low point of March 2011.



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