UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
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Wednesday, 06 March 2013

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3200	1.2950
Spot Ref:	1.3068	
Tenor:	2 weeks	
Date:	06 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.3320	1.2880

Commentary:

- German unemployment unexpectedly falls as economy recovers (Thu 28-Feb).
- EU opens way for easier budgets after austerity backlash (Mon 04-Mar).
- Ireland, Portugal may get debt relief signal in April (Mon 04-Mar).
- Divided eurozone economy declines further in February - PMIs (Tue 05-Mar).

German unemployment unexpectedly fell in February amid signs that Europe's biggest economy is returning to growth after a contraction at the end of last year. The number of people out of work fell a seasonally adjusted 3,000 to 2.92 million. Economists had predicted unemployment to be unchanged. The adjusted jobless rate held at 6.9% this month after the January rate was revised up from an initially reported 6.8%.

The EU is considering easier repayment terms for rescue loans to Ireland and Portugal in a bid to ease their exit from aid programs. The bloc's 27 finance chiefs are slated to discuss Ireland and Portugal in the Belgian capital, a day after euro-area ministers held similar talks. Once the ministers give their assent, the so-called troika of the EC, the ECB and the IMF will study options for helping Ireland and Portugal return to markets for funding. The two nations received loans from two different programs: the EU-wide EFSM and the euro-area's temporary firewall, the EFSF. Ireland and Portugal have sought to extend the terms of European rescue loans, saying they deserve concessions similar to those granted to Greece last year. Ireland is due to complete its rescue program later this year, with Portugal set to follow in 2014.

European finance ministers opened the way for looser budget policies after a backlash against austerity thrust Italy into political limbo and shattered months of relative stability in European markets. Italy's deadlocked election, France's refusal to make deeper budget cuts and protests against the shrinking of the welfare state across southern Europe escalated the rebellion against the German-led prescription for fighting the debt crisis.

France, Spain and Italy dragged the eurozone into a deeper downturn in February, according to Markit. The chasm between these countries and prosperous Germany has widened yet again. Markit's Eurozone Composite PMI, a broad gauge of activity at thousands of companies across the 17-nation bloc, fell to 47.9 in February from 48.6 in January. In comparison, Germany's PMI stood at 53.3, although below January's 19-month high of 54.4. Spanish and Italian businesses endured another dire month.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5300	1.5000
Spot Ref:	1.5149	
Tenor:	2 weeks	
Date:	06 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.5310	1.4800

Commentary:

- Sterling at 2-year low as MPC eye radical options for UK (Fri 01-Mar).
- UK retail sales grow in Feb at fastest pace in 2 years: BRC (Tue 05-Mar).
- UK construction PMI hits lowest level since Oct 2009 (Mon 04-Mar).
- Announcement of Repo Rate (scheduled for Thu 07-Mar, 20:00 SGT).

The UK's monetary policy makers will meet this Thursday to decide whether to print more money. Until a few weeks ago, most considered more action from the BoE unlikely. The MPC appeared to be placing its faith in Funding for Lending, a government scheme to make more cheap credit available, to buoy the economy. Now, however, further gilt buying, along with more radical options, are back on the table. Last Tuesday, Paul Tucker, the deputy governor, raised the possibility that the BoE could take the radical step of imposing ***negative interest rates*** on a portion of banking reserves, effectively charging banks rent to hold money at the BoE. The aim would be to encourage them to lend more. Fears that the MPC may change to a more activist direction sent the pound tumbling to a 2-year low against the US dollar.

British construction output fell in February at the fastest pace in more than three years despite a rare pick-up in house building, a survey showed on Monday. The Markit/CIPS Construction PMI unexpectedly fell deep into contraction territory in February with a reading of 46.8 (down from 48.7, and fell well short of the forecast of 49.0). Despite making up less than 7% on Britain's economy, weak construction output was the main drag on growth last year, pushing the country back into recession. However, residential building expanded for the first time since May, helped by the Funding for Lending Scheme, which boosted the flow of credit for home buyers in recent months.

British retail sales grew at their strongest annual rate in almost two years last month, bolstered by dry weather and a rebound in demand for big-ticket items and household goods. The British Retail Consortium said Tuesday that the total value of retail sales grew by 4.4% in February compared with a year ago, up from 3.0% growth in January. On a like-for-like measure that strips out changes in stores' floor space and favoured by equity analysts, the BRC said retail sales were 2.7% up on a year earlier.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0350	1.0150
Spot Ref:	1.0294	
Tenor:	2 weeks	
Date:	06 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.0370	1.0100

Commentary:

- RBA says up to 34 Central Banks holding Australian dollars (Thu 28-Feb).
- RBA says Aussie dollar overvalued but not enough for intervention (Thu 28-Feb).
- Australia retail sales jump, government spending surges (Tue 05-Mar).
- RBA holds key rate at 3%, reiterates scope to ease further (Tue 05-Mar).
- Australia Q4 GDP expanded 0.6%, led by exports (Wed 06-Mar).

The RBA said its currency is held by as many as 34 central banks from Reykjavik to Santiago, and models suggested the Aussie dollar was as much as 15% overvalued. The central banks of Slovakia and Slovenia were recent additions in a list of 16 economies that publicly hold the Aussie, according to papers prepared in the second half of 2012 and released under a Freedom of Information Act. Newcomers on a list of 18 possible holders included China, France, India, South Korea, Thailand and South Africa. The RBA has admitted the Australian dollar is overvalued by about 5¢ but is not high enough for it to intervene, and that its models and those used by the IMF showed in August estimates that the Aussie dollar is between 4% and 12% overvalued. The situation in Australia is not considered comparable to circumstances which led Switzerland to intervene on foreign-exchange market, the documents said, and the AUD doesn't post a near-term risk of deflation nor is it "contractionary" for the economy.

Australia retail sales boasted the biggest increase in seven months in January while government spending far outpaced all expectations last quarter in a major boost for economic growth that argues against the need for a near term rate cut. The ABS reported government spending surged 4.9% in Q4 of 2012, mostly due to a jump in investment by the States. That could have added around 1% point to economic growth in Q4, implying figures on GDP due Wednesday could be much stronger than first thought. Retail sales increased by 0.9% in January month-on-month, more than twice the rise forecast, though December was revised to show a deeper decline of 0.4%.

RBA kept its benchmark interest rate unchanged at a half-century low and reiterated it has room to cut further if needed. Governor Glenn Stevens and his board left the overnight cash-rate target at 3%. “The inflation outlook, as assessed at present, would afford scope to ease policy further, should that be necessary,” Stevens said.

Australia’s economy expanded last quarter, driven by exports and a surge in infrastructure spending, extending the nation’s run of 21 recession-free years. Q4 GDP advanced 0.6% from the previous quarter, when it rose an upwardly revised 0.7%. Compared to a year earlier, the economy expanded 3.1% in Q4. Exports rose 3.3% in Q4, adding 0.7% to GDP growth; household spending advanced 0.2%, adding 0.1% to the expansion; and public spending soared 24.6%, adding 1.1%. Non-dwelling construction slumped 8.9%, subtracting 0.8% from GDP growth; machinery and equipment fell 3.3%, subtracting 0.2%.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8400	0.8200
Spot Ref:	0.8340	
Tenor:	2 weeks	
Date:	06 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	0.8400	0.8120

Commentary:

- NZ sets May target to start asset sales (Mon 04-Mar).
- NZ commodity prices rise in Feb: ANZ Bank (Mon 04-Mar).
- NZ building activity expands for 5th quarter in December (Wed 06-Mar).

NZ said that it expects the first phase of a multi-billion-dollar state asset sale programme to be completed by mid-May. PM John Key said energy company Mighty River Power, a hydro-electric generator, would be the first of five state assets to be partially privatised under the programme in a stock exchange listing, which is expected to raise an overall total of NZ$5 – 7 billion. The sell-off is the centrepiece of the government's blueprint to cut debt and bring the budget back into the black by 2014-15.

Prices for NZ's main commodities rose for the seventh consecutive month in February, bolstered by some dairy and forestry products and meat.. The ANZ Bank's commodity price index gained 1% on the previous month, following the rise after a 0.3% rise in January. The series has gained 9% since its low point last July but is 13% below its record high in April 2011. In NZ dollar terms, the index edged up 0.2% for the month despite a rise in the trade-weighted kiwi dollar.

NZ's building work grew for a 5th quarter in Q4, though the pace of residential construction growth slowed in the period. The volume of all building work grew a seasonally adjusted 1.8% in Q4, slowing from a 9.8% pace of expansion in Q3. Building work was stronger than expected, which may add to upward revision in Q4 GDP growth.

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