UOB 大華銀行

UOB WEALTH BANKING

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

Wednesday, 24 April 2013

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3100	1.2850
Spot Ref:	1.3000	
Tenor:	2 weeks	
Date:	24 Apr 2013	
Time:	11:35 hrs	
Resistance / Support:	1.3100	1.2850
Commentary:		

■ France misses 2012 deficit target, Spain's shortfall widens: Eurostat (Mon 22-Apr).
■ Eurozone slump moderates but German worries appear (Tue 23-Apr).
■.German private sector contracts for first time since November (Tue 23-Apr).
■ German IFO Business Confidence probably fell as winter chilled recovery (data release: Wed 24-Apr, 16:00 SGT).

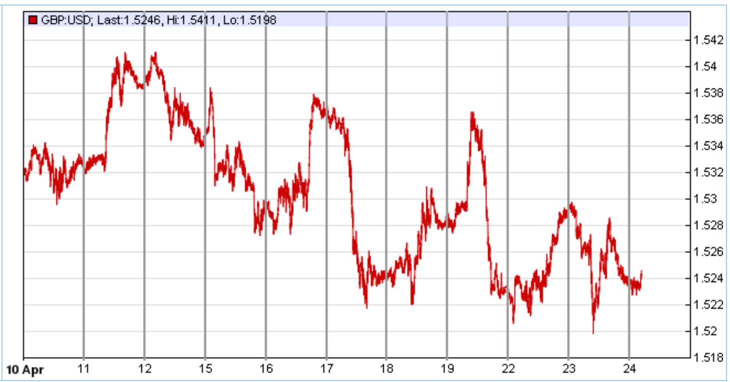
France missed its deficit goal in 2012 while Spain's shortfall rose by more than expected, EU data showed on Monday, but the bloc's shift away from austerity may ease the pressure on Paris and Madrid. France's budget deficit was 4.8% of economic output last year, the EU's statistics office Eurostat said in the final reading of all 27 countries' public accounts, just above the French target of 4.5%. Spain's budget shortfall was 10.6% of GDP, higher than the European Commission's forecast of 10.2%. It was also a much higher reading than the Spanish government's 7% figure, because Eurostat includes the impact of bank recapitalisations and support for financial institutions.

Euro area services and manufacturing output contracted for a 15th month in April as it struggled to emerge from a recession. A sharp drop in German business activity overshadowed an easing downturn in France in April, raising concerns over a further economic contraction in the eurozone. Markit's flash eurozone services PMI, an early gauge of business activity each month, rose to 46.6 in April from 46.4 in March, but matching the forecast of economists. Markit cautioned against taking the rise as a clear sign the region's recession has bottomed out, pointing to a surprise decline in German companies that form the backbone of the eurozone economy.

Germany's private sector shrank for the first time in five months in April suggesting Europe's largest economy may contract again after an expected recovery in the first quarter. Markit's flash composite PMI measuring growth in both manufacturing and services, which together account for more than two-thirds of the German economy, fell to 48.8 in April from 50.6 in March. It was the index's first fall back below the 50 mark since November. Markit chief economist Chris Williamson said the survey marked the start of a downward trend. A sub-index tracking the manufacturing sector contracted at its fastest rate since December as output fell after a three-month run of expansion, as new orders shrivelled up, contracts from abroad declined and backlogs of work fell. The manufacturing PMI fell to 47.9 in April from 49.0 in March.

German business confidence probably fell for a second month in April after winter weather hindered the recovery in Europe’s largest economy. The focus will be back on Germany as we will get German IFO April survey data and it will likely show the current assessment recording a lower reading of 108.0 from 109.9 previously while the business climate is expected to ease lower to 106.3 from 106.7 in March. The expectations index is also likely to edge lower to 103.0 from 103.6 previously.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5350	1.5150
Spot Ref:	1.5246	
Tenor:	2 weeks	
Date:	24 Apr 2013	
Time:	11:35 hrs	
Resistance / Support:	1.5350	1.5180
Commentary:		



■ Fitch strips UK of triple-A rating, austerity debate deepens (Fri 19-Apr).
■ UK Q1 GDP likely to be flat (scheduled for release Thu 25-Apr).

Fitch strips the UK of its AAA credit rating to AA+, citing a weaker economic and fiscal outlook. But it returned the outlook to **stable**, removing the threat of near term action. Moody's was first to downgrade the UK in February and S&P has said there is a one-third chance it will follow suit. The move is an embarrassment for the Conservative-led government which promised to protect the country's rating when it took power in 2010, and will heighten the debate about whether austerity is still the right approach.

UK Q1 GDP is published on Thursday. After some signs of a firming in underlying growth, headline activity looks set to be affected by transient factors including unusually severe wintery conditions and a slower-than-hoped rebound in North Sea oil production, following the slump in Q4 (-0.3% q/q). On balance, GDP is likely to be flat, coming in at 0.1% on the quarter. However, the scale of the weather impact on construction and services is as yet unknown and there is a risk of a softer number. These temporary constraints look to have lifted in early Q2, which should result in a pick-up in Q2. The British pound also weakened against the USD on the back of a decline in European outlook and euro. The GBP/USD pair ended the trading day at 1.5240 (from previous day close of 1.5290. Of lesser importance will be the UK March BBA loans for house purchases, due later today.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0400	1.0200
Spot Ref:	1.0241	
Tenor:	2 weeks	
Date:	24 Apr 2013	
Time:	11:35 hrs	
Resistance / Support:	1.0400	1.0200

Commentary:

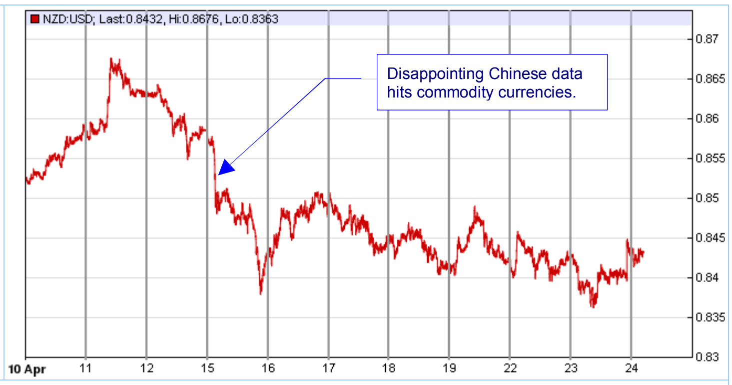
- Australia's deficit hit by strong currency: Swan (Sun 21-Apr).
- Australian Q1 CPI inflation up 2.5% on year, less than forecast (Wed 24-Apr).
- Australia turns to auctions as housing revives (Wed 24-Apr).

Australia has lost A$7.5 billion in revenue since the October mid-year budget review due to its strong currency and lower terms of trade, pushing the nation further into deficit, Treasurer Wayne Swan said. PM Julia Gillard, whose ruling Labour party is trailing the opposition Liberal-National coalition in opinion polls ahead of September 14 national elections, has pledged to restrain spending before the May 14 release of the annual budget. A "dramatic" writedown in state revenue means the government will have to make "some very difficult choices", Mr Swan said in his weekly economic note, without being specific. The Aussie dollar has appreciated >70% against the USD since late October 2008, hurting earnings for industries such as manufacturing, while an easing of commodity prices lowered the gains from exports and the terms of trade.

The price of Australian consumer goods and services rose 0.4% in the March quarter. The CPI inflation rose 2.5% in the year to March, the Australian Bureau of Statistics said on Wednesday. This was lower than expectations for a rise by 0.6% in the March quarter for an annual rate of 2.7%. The ABS said seasonally adjusted CPI rose 0.1% in the March quarter, and was up 2.5% in the 12 months to March. The RBA's preferred underlying inflation figures, which take out the most volatile movements, averaged 2.4% for the year to March, well within its 2%-3% target band. Financial markets are now pricing in a 40% chance that the RBA will cut rates at its May 7 meeting.

Australians selling properties increasingly are turning to auctions as interest rates matching the lowest in 50 years fuel demand for homes in the country's largest cities. In Sydney, the most-populous city, almost two-thirds of homes offered at a public sale found buyers in February and March, the highest level since April 2010, according to data from Australian Property Monitors. In Melbourne, the second-biggest city and largest market for auctions, the proportion rose to 68% in February, the highest since May 2010. Economic indicators too remain mixed. While retail sales rose four times faster than economists expected in February and business confidence improved in March, Australia's unemployment rate climbed unexpectedly to a three-year high of 5.6% in March and a private consumer confidence index slipped 5.1% this month.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8550	0.8350
Spot Ref:	0.8432	
Tenor:	2 weeks	
Date:	24 Apr 2013	
Time:	11:35 hrs	
Resistance / Support:	0.8500	0.8350



Commentary:

- NZ migration gains highest in 3 years in March (Mon 22-Apr).
- RBNZ keeps interest rates at record low 2.5% (Wed 24-Apr).

New Zealand had a third month of migration gains and the highest in three years in March, as fewer people left for neighbouring Australia, official data showed on Monday. The country had a seasonally adjusted net gain of 1,210 for the month, compared with an upwardly revised gain of 720 people in the previous month. It was the highest monthly gain since January 2010. For the year to March 31, there was a net gain of 2,542 permanent and long-term migrants, up from 1,195 in the year to February 2013 and compared with a loss of 3,383 in the previous March year.

The official cash rate (OCR) remained unchanged at a record low 2.5% since March 2011. RBNZ predicted rates would remain there for the rest of 2013 with low inflation and a surging kiwi dollar. Governor Graeme Wheeler said that while growth in NZ was firm, a drought had affected agricultural production and government cutbacks were impacting on overall demand in the economy. The strong kiwi dollar was due to Japan's policy of monetary easing, which restricted export earnings and stimulated demand for imports. With inflation at 0.9% and expected to remain at the bottom of the bank's 1.0%-3.0% target band, Wheeler said rates were unlikely to change in the short term.