UOB 大華銀行

UOB WEALTH BANKING

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

Wednesday, 09 October 2013

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3750	1.3450
Spot Ref:	1.3567	
Tenor:	2 weeks	
Date:	09 Oct 2013	
Time:	11:20 hrs	
Resistance / Support:	1.3720	1.3460
Commentary:		

- Eurozone retail sales much stronger than expected in August (Thu 03-Oct).
- German trade surplus seasonally adjusted widens in August (Tue 08-Oct).
- German factory orders unexpectedly fall on weak recovery (Tue 08-Oct).
- IMF - no need to adjust austerity targets in Europe (Tue 08-Oct).

Eurozone retail sales rose more than expected in August, helped by demand for fuel, food, clothes and computers, and were revised up for July as well, in a fresh sign that households could help sustain the bloc's nascent recovery. The volume of retail trade in the 17-nation bloc jumped 0.7% on the month, following a revised 0.5% increase in July. The monthly rise in August was driven by a 0.9% jump in sales of car fuels and 0.6% in non-food products, with Spain (+3.8% m/m) and Portugal (+4.8% m/m) the star contributors. The year-on-year reading for the eurozone showed a much smaller-than-expected 0.3% drop for August, following a downwardly revised 0.7% fall in July.

German factory orders unexpectedly fell in August, backing up the European Central Bank's view that the economic recovery in the euro area is fragile. Orders, adjusted for seasonal swings and inflation, dropped 0.3% from July, when they fell a revised 1.9%, the Economy Ministry said. Economists forecast an increase of 1.1% in August, according to Bloomberg. Orders climbed 3.1% from a year ago, when adjusted for the number of working days. Domestic factory orders rose 2.2% in August from July, while foreign demand fell 2.1%. Basic-goods orders increased 0.5% from July, while demand for consumer goods dropped 0.4%. Investment-goods orders decreased 0.7%, with domestic demand rising 4.7% and orders from the euro area declining 9.2%. While Germany is being supported by an "extraordinarily good" consumer climate, growth slowed in Q3, the Bundesbank said last month. Headwinds include record unemployment in the eurozone, its biggest trading partner and US government shutdown.

Germany's trade surplus widened in August in seasonally-adjusted terms, data from the federal statistics office Destatis showed. However for the year so far, exports, the driver of Germany's economy, fell 1.1% in the January-August period in nominal terms compared to the figure for the same period last year. Destasis said that in adjusted terms, which factor in a summer lull in trade, Germany's August trade surplus widened to €15.6 billion, from an adjusted €15.0 billion in July. Exports rose 1.0% on-month while imports were up 0.4%. In nominal or unadjusted terms, exports were down 8.7% on-month and imports fell 6.4%, bringing the August trade surplus to €13.1 billion.

Periphery countries in the eurozone do not need to brake their fiscal adjustment unless growth slows significantly, the IMF said Tuesday. These countries are struggling to tame their debts while coming out of a prolonged recession sparked by a sovereign debt crisis across the eurozone. "Only if growth were to disappoint in a major way would one have to go and revisit this," the IMF said about the austerity targets. "But the pace as a whole strikes us now for this year and next year as appropriate." The IMF now expects Greece, Italy, Portugal and Spain to all exit recession and start growing from next year. Ireland, another periphery country, has already been growing, albeit slowly.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6200	1.6000
Spot Ref:	1.6069	
Tenor:	2 weeks	
Date:	09 Oct 2013	
Time:	11:20 hrs	
Resistance / Support:	1.6180	1.6000
Commentary:		

- Carney says BoE aims to avoid boom-bust property markets (Thu 03-Oct).
- Britain launches home loan guarantee plan as property prices climb (Tue 08-Oct).
- UK house prices rise at fastest rate in 11 years - RICS (Tue 08-Oct).
- GDP estimate for September – NIESR (due on Wed 09-Oct, 22:00hr SGT).

BoE Governor Mark Carney said policy makers must make sure the housing market recovers in a sustainable way as the government accelerates its program to aid homebuyers. Carney said the BOE has tools to ensure the housing market "isn't in a boom and then a bust phase". Britain's property market has strengthened in recent months, prompting concerns that the government's Help to Buy housing plan may fuel a bubble. House prices climbed to their highest level in five years last month.

British house prices rose at their fastest rate in 11 years in September and sales hit a four-year high, pointing to a sustained recovery in the property market. The seasonally adjusted house price balance by the RICS jumped to +54, its highest level since mid-2002 and well above the reading of +45 predicted by analysts. The August figure was revised up to +41 from +40. Prices rose in all regions except the north-east, and analysts now expect prices to grow by 2.6% in the next 12 months.

Britain launched a flagship scheme on Tuesday to help people get on the property ladder, defying critics who believe the state-backed mortgage programme could fuel another housing bubble. "Help to Buy" was launched hours after a survey suggested British house prices were rising at their fastest pace in 11 years.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9550	0.9300
Spot Ref:	0.9435	
Tenor:	2 weeks	
Date:	09 Oct 2013	
Time:	11:20 hrs	
Resistance / Support:	0.9550	0.9300

Commentary:

- Australian business confidence hits 3-year high – NAB (Tue 08-Oct).
- PIMCO says RBA may cut rates again as mining investment tapers (Wed 09-Oct).
- Australia consumer sentiment falls 2.1% in October – Westpac (Wed 09-Oct).
- Unemployment to stay at four-year high (data due on Thu 10-Oct).

Australian business confidence jumped to a three-and-a-half-year high in September, a sign that the resource-rich economy may be poised for a lasting post-election bounce. The confidence gauge measured by the National Australia Bank business survey, released on Tuesday, rose 12 points last month, to hit its highest level since March 2010. NAB said the findings from the survey, along with other forward indicators, may be the "first portents of stronger growth in the Australian economy".

Australian consumer confidence fell in October after surging in the wake of a change of government last month, but remained relatively high following recent interest rate cuts aimed at stoking weaker parts of the economy as a long mining boom fades. A Westpac / Melbourne Institute index of consumer sentiment fell 2.1% to 110.6 points, but optimists still outnumber pessimists. The modest fall in the index is probably due to an expected retreat following the positive expectations around the election result.

The RBA will likely have to cut interest rates again as a record resources investment boom fades. According to PIMCO, "until we see some meaningful signs of a growth handoff from the mining sector to a new balance sheet that has the capacity to expand, our base case calls for sub-trend growth outcomes in Australia. In this environment, we expect that the RBA will have to keep interest rates low for an extended period, and likely lower them further, supporting bond prices over the cyclical horizon."

Jobs growth in September is not expected to have been strong enough to bring the unemployment rate down from its four-year high. Official labour force figures will be released on Thursday, and the unemployment rate is forecast to stay steady at 5.8% for the second month in a row, according to an AAP survey of 15 economists. The number of people with jobs is forecast to have risen by 15,000 in September, compared to a fall of 10,800 in August and a loss of 11,400 in July. The participation rate - the percentage of the working-age population either in work or looking for a job - is expected to stay steady at 65.0% in September.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8400	0.8200
Spot Ref:	0.8291	
Tenor:	2 weeks	
Date:	09 Oct 2013	
Time:	11:20 hrs	
Resistance / Support:	0.8415	0.8180

Commentary:

- English says Kiwi dollar is too strong, hampering exports (Mon 07-Oct).
- NZ business confidence surges to 14-year high (Tue 08-Oct).
- NZ budget deficit smaller, government sticks to 2015 surplus target (Mon 07-Oct).
- Another big rise in property values (Wed 09-Oct).

NZ Finance Minister Bill English said its currency remains too strong and is hampering exports. "The exchange rate, in our view, is still too high. It remains a headwind for the export sector", English said after the Treasury published data for the year through June. English said if growth reaches 3.5% next year, as forecast by the RBNZ, "it would make NZ one of the fastest-growing economies" in the OECD; a booming housing market also poses a risk to exporters because that may drive up interest rates.

NZ's budget deficit is narrowing faster than forecast and English said the government remains on track to return to surplus in the year to June 2015. The operating balance before gains and losses, known as OBEGAL, was a deficit of NZ$4.4 billion in the 2013 fiscal year. That's down from a NZ$9.2 billion deficit in 2012 and the 2013 budget forecast for a NZ$6.3 billion shortfall. English said the deficit would probably halve again this year, though reaching surplus ahead of schedule was unlikely.

NZ business confidence surged to a 14-year high in Q3, signalling the economy is rebounding from a mid-year slowdown. A gauge of confidence based on a survey of about 900 businesses by the NZIER rose to 38 from 32 three months earlier, the most since the first quarter of 1999. The seasonally adjusted measure increased to 32 from 30, the highest since the first quarter of 2010, NZIER said. "Businesses are optimistic, activity is rebounding and this is being gradually realized into more jobs and profits," NZIER principal economist Shamubeel Eaqub said. The rebound in domestic trading activity is consistent with annual economic growth of about 3%, he said.

Residential property values rose 8.4% in September over the year before, and 2.6% in the past three months, valuation service QV said today.