



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3650	1.3350
Spot Ref:	1.3562	
Tenor:	2 weeks	
Date:	27 Nov 2013	
Time:	10:00 hrs	
Resistance / Support:	1.3600	1.3400

Commentary:

- Unconfirmed report that ECB may cut deposit rate below zero (Wed 20-Nov).
- German business confidence jumps in November: IFO (Fri 22-Nov).
- Portugal to go solo on the road to bailout (Mon 25-Nov).
- Printing money not the way out of crisis: ECB's Weidmann (Wed 20-Nov).
- Greek recovery fragile, measures needed: IMF (Sun 24-Nov).
- ECB official rules out deflation in Europe; inflation at 2% (Mon 25-Nov).

The euro plunged last Wednesday after a Bloomberg report said the ECB was considering cutting its deposit rate to below zero. An ECB spokesperson declined to comment on the report. Printing money is not the way out of the euro zone crisis, ECB policymaker Jens Weidmann said, resisting the possibility raised by others at the ECB of buying assets to aid a weak recovery. "The money printer is definitely not the way to solve it. It will still take years until the causes of the crisis are eliminated."

The euro gained after the German IFO business climate index for November rose to its highest level since April 2012. That boosted investor confidence that Q4 German economic growth would help stimulate other European economies. Friday's November IFO data suggested the private sector's expansion was gaining traction.

The economic recovery touted by Greece's embattled government is "fragile", the nation's IMF auditor said on Sunday as he called for new, targeted cuts in the next two years. The recovery in Greece is fragile and will be hurt if the government does not stay the course of fiscal adjustment and structural reform.

Portugal, which was trying to follow Ireland's path towards the bailout exit, will have to figure out on its own what to do when it gets there. Ireland's decision to leave its emergency loans programme without a precautionary credit line means that Portugal must plot its departure without a blueprint for negotiations on the financial backstop that it's likely to need. The reasoning was that Ireland would be a reference point to Portugal and that what Ireland got, Portugal would get with more strings attached.

The ECB said slowing price growth, or disinflation, in Europe is likely to continue, but will not progress to deflation because the economy is recovering and inflation should remain anchored around 2%. Executive board member Benoît Coeuré said Europe's economy is stabilising and the banking sector is strengthening, but policymakers need to make progress with structural reforms to bring down unemployment and encourage business investment. With eurozone inflation running at 0.7%, well below its target of just under 2%, several ECB members have said they are open to taking new steps to prevent deflationary pressure from harming the economic outlook.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6250	1.5950
Spot Ref:	1.6202	
Tenor:	2 weeks	
Date:	27 Nov 2013	
Time:	10:00 hrs	
Resistance / Support:	1.6250	1.6000

Commentary:

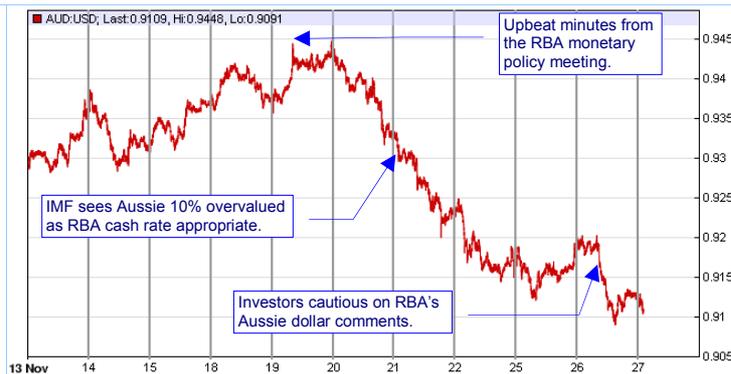
- BoE sees case for record-low rate beyond 7% jobless (Wed 20-Nov).
- Osborne asks BoE to consider new power to rein in banks (Tue 26-Nov).
- UK economy will take years to recover says BoE's Dale (Thu 21-Nov).

BoE officials voted unanimously to keep policy unchanged this month and said a record-low interest rate may be needed even after unemployment falls to the threshold set under forward guidance. "There were uncertainties over the durability of the recovery," the MPC said in the minutes of its November 6-7 meeting. "With the proviso that medium-term inflation expectations remained sufficiently well anchored, the projections for growth under constant bank rate underlined there could be a case for not raising bank rate immediately when the 7% unemployment threshold was reached." Sterling erased its gain against the dollar after the minutes were published before recovering.

The UK's economic recovery will take a "number of years", the BoE's chief economist Spencer Dale said. "We had a very deep recession, we have a number of years to go." Mr Dale told the BBC that interest rates would remain low for what he termed a "sustained period". But he thought the economy was moving in the right direction and did not foresee a housing market bubble. "We know that the housing market can quickly go from normal levels to overheating," but that the UK is "not there now".

Chancellor George Osborne has asked the BoE to review whether it needs more power to restrain banks risk-taking more quickly than under a timeframe agreed by international financial regulators. The BoE's FPC already has powers to set direction for regulating Britain's financial system. But it has no direct power over important tools for reining in big banks' risk-taking, which include a so-called leverage ratio or measure of how much capital banks must hold in relation to their total assets.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9250 0.9000
 Spot Ref: 0.9109
 Tenor: 2 weeks
 Date: 27 Nov 2013
 Time: 10:00 hrs
 Resistance / Support: 0.9200 0.9000
 Commentary:



- IMF sees Aussie 10% overvalued as RBA cash rate appropriate (Thu 21-Nov).
- Investors cautious on RBA's Aussie dollar comments (Tue 26-Nov).
- Low rates for longer is key Fed theme for 2014 (Mon 25-Nov).
- RBA's Lowe says productivity gains needed to boost incomes (Tue 26-Nov).

RBA should maintain easy policy settings as a mining-investment slowdown and a local currency about 10% overvalued drag on economic growth. "With growth currently on the soft side, the real exchange rate still overvalued and weighing on the non-mining sector, and inflation within the target range, monetary policy should remain accommodative," the IMF said after reviewing Australia's economy, and growth will remain "below trend" at 2.5% this year and rise to its trend rate of around 3% by 2016.

Speculation that Fed Chairman Bernanke would slow bond purchases helped push Treasury yields higher and saw Australia's dollar weaken in the four months through August. The Fed's decision in September to refrain from slowing its buying surprised investors who had forecast the first tapering of the program, spurring a rally in the Aussie. Fed officials said they might reduce their US\$85 billion in monthly bond purchases "in coming months" as the economy improves, minutes showed last Wednesday.

On Tuesday, RBA Deputy Governor Philip Lowe said he expected to see a lower Australian dollar over time and reiterated the central bank would not rule direct intervention in or out. The RBA's repeated rhetoric against what it considers is an overvalued Australian dollar has also induced caution among investors.

Australian businesses need to boost efficiency to maintain growth in living standards and could use engineers freed up from mining construction to build more infrastructure, Lowe said. Our medium-term inflation targeting framework -- which has been in place for two decades now -- has achieved this and we are committed to making sure that we continue to deliver." Lowe said that productivity will receive a boost as the nation's mining boom moves from the employment-intensive construction phase to exports that require fewer workers. He also said infrastructure financing "will be one of Australia's priorities" when it chairs the Group of 20 next year.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8350 0.8100
 Spot Ref: 0.8178
 Tenor: 2 weeks
 Date: 27 Nov 2013
 Time: 10:00 hrs
 Resistance / Support: 0.8400 0.8100
 Commentary:



- NZ dollar rises to fresh five-year high against Aussie dollar (Tue 26-Nov).
- NZIER: 2014 set to be best for NZ economy since 2007 (Tue 26-Nov).
- Fewer tourist dollars spent in NZ (Tue 26-Nov).
- NZ October trade deficit smallest since mid-1990s, record exports (Wed 27-Nov).

Traders expect the RBA to increase its benchmark 2.5% interest rate by 7 basis points over the coming year, while RBNZ is expected to raise its 2.5% rate by 101 basis points in the same period, according to the Overnight Index Swap Rate. Australia will review its key rate on Tuesday 3-Dec, with NZ's review the following week on 11-Dec.

More tourists are visiting NZ but they aren't spending as much as they used to. In fact, there has been a decline in the average length of stay and the average spend per visitor since 2004. Income from tourism has declined in the past 10 years from 4.6% of GDP to 3.7% this year. The "key challenge" facing tourism businesses was how to generate higher returns from visitors. The Government had committed NZ\$500 million to marketing NZ into new areas and high net-worth individuals.

Economists are forecasting 2014 to be the best year since 2007. In its latest report, the New Zealand Institute of Economic Research believes the NZ economy will grow strongly next year. It says it's taken seven years to recover from one of the deepest and longest recessions on record. Its quarterly predictions suggest the economy is set to grow strongly next year, achieving about 3% growth in the economy. A large part of the recovery is going to be the Canterbury rebuild, taking about a third of the growth.

NZ posted its smallest October trade deficit of NZ\$168 million since the mid-1990s as milk powder, butter and cheese shipments drove exports to a record, down from NZ\$216 million in September, narrowing the annual trade gap to NZ\$1 billion from NZ\$1.55 billion. Exports rose by 23%, or NZ\$783 million, to NZ\$4.2 billion in October compared to the same month last year, of which NZ\$690 million reflected increased exports of milk powder, butter and cheese, which jumped by 85% to NZ\$1.5 billion. China was the biggest destination for NZ's exports last month, taking NZ\$1.1 billion worth, up 133% from a year earlier. Shipments to Australia fell 13% to NZ\$794 million.



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