



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.4000	1.3800
Spot Ref:	1.3926	
Tenor:	2 weeks	
Date:	19 Mar 2014	
Time:	15:50 hrs	
Resistance / Support:	1.3985	1.3855
Commentary:		



- Eurozone factory orders fall in January but economy picking up pace (Wed 12-Mar).
- ECB Draghi: Euro may ease as real interest rate spread falls (Thu 13-Mar).
- Eurozone CPI inflation unexpectedly slows to 0.7% in February (Mon 17-Mar).
- German ZEW investor confidence falls to lowest since August (Tue 18-Mar).

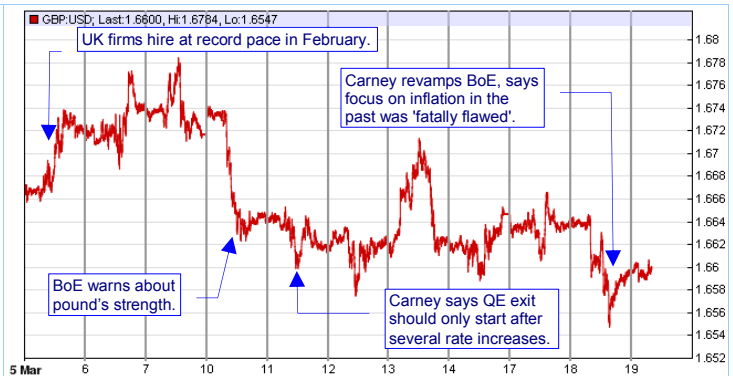
Analysts said that although Eurozone industrial production dropped 0.2% in January from December, the pace marked an improvement and it was consistent with an economy picking up pace. There appears to be room for industrial production to play catch-up with soft data in the coming months. The euro strengthened on the news.

ECB President Mario Draghi last Thursday said the rising euro is becoming increasingly relevant to the ECB's inflation outlook and voiced hopes that the euro ease in future. In prepared remarks at an award ceremony in Vienna, Draghi said the strong euro has had a "significant impact" on inflation over the last 1.5 years. While the ECB sees no risk of deflation currently, it stands ready to act, including with non-standard measures, should such risks emerge. The euro fell sharply.

Consumer price inflation in the Eurozone rose less than initially estimated in February, underlining concerns over the threat of deflation. Eurostat said CPI inflation rose by a seasonally adjusted 0.7% last month, down from a preliminary estimate of 0.8%. Eurozone inflation rose by 0.8% in January. The rate remains firmly below the ECB's target of just below 2%. Month-over-month, consumer prices rose 0.3% last month, below expectations for a gain of 0.4% following a decline of 1.1% in January. Core CPI, which excludes food, energy, alcohol, and tobacco costs rose by a seasonally adjusted 1% in February, unchanged from an initial estimate and unchanged from January.

German investor confidence fell to the lowest since August as political uncertainty in Ukraine threatens to weigh on a recovery in Europe's largest economy that may be nearing its peak. The ZEW Centre for European Economic Research said its index of investor and analyst expectations, which aims to predict economic developments six months in advance, slid to 46.6 from 55.7 in February. That's the third monthly decline. The gauge reached a seven-year high of 62 in December.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6750	1.6450
Spot Ref:	1.6600	
Tenor:	2 weeks	
Date:	19 Mar 2014	
Time:	15:50 hrs	
Resistance / Support:	1.6698	1.6495
Commentary:		



- Pound: sent tumbling by all-powerful euro, no news is bad news (Thu 13-Mar).
- London powers UK house-price growth to fastest for 21 months (Fri 14-Mar).
- UK trade deficit widens in January as exports hit 19-month low (Fri 14-Mar).
- Carney revamps BoE, says will avoid past 'flaws' (Tue 18-Mar).

With no major news to inspire sterling trading last Thursday, cross currency price action left its traces in EUR/GBP as the euro and sterling weakened on Draghi's comments on inflation. Both cross rates traded in tight ranges near obvious resistance/support levels. Global uncertainty on China was the main driver for trading.

UK house prices rose the most in almost 2 years in February to a record as demand for homes rose. London continued to power growth, Acadata said. Values in England and Wales increased 1% from January to £257,951, the biggest monthly increase since May 2012. All 10 regions tracked by the report showed annual growth in the most recent 3 months, with London jumping 10.9%. Home values in England and Wales rose 6% from a year ago and showed sustained acceleration in the past 3 months.

Low borrowing costs and government incentives have boosted demand for property, fuelling concern that prices may spiral. Bank of England Governor Mark Carney told UK lawmakers this week that policy makers are monitoring the market "very closely" and "have to be alive" to the possibility that overheating in London may spread.

Britain's goods trade deficit widened unexpectedly in January as exports fell to their lowest level in 19 months. The goods deficit was £9.793 billion in January compared with a deficit of £7.662 billion in December, when one-off items helped push the shortfall to its lowest level in nearly 1½ year. Good exports fell 4% to £24.248 billion, their lowest level since June 2012. Britain's overall trade deficit, including the country's massive services industry, widened to £2.565 billion from £668 million in December.

BoE Governor Mark Carney announced an overhaul of the central bank on Tuesday, saying the almost exclusive focus by central banks on inflation in the past was "fatally flawed". Carney added that scandals in the Libor interest rate and more recently FX markets showed the need for changes to make markets fairer and more efficient.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9200	0.9000
Spot Ref:	0.9110	
Tenor:	2 weeks	
Date:	19 Mar 2014	
Time:	15:50 hrs	
Resistance / Support:	0.9180	0.9037
Commentary:		



- Better than expected Aussie jobs data and iron ore prices boost AUD (Thu 13-Mar).
- Minutes show RBA satisfied about the economy (Tue 18-Mar).
- Westpac: Growth to stay below trend in 2014 (Wed 19-Mar).
- Westpac does not expect any rate cuts for the foreseeable future (Wed 19-Mar).

The data from the ABS showed that the Australian economy gained 47,300 jobs in February - blowing away expectations for a gain of 15,000 following the loss of 3,700 jobs in the previous month. The seasonally adjusted unemployment rate was 6.0% in February, in line with expectations and unchanged from the January reading.

Another interest rate cut is looking less likely as the economy slowly improves and moves away from being driven mostly by mining investment. In the minutes of its March board meeting, the RBA reiterated its stance that the cash rate will stay at its current level of 2.5% "for some time if the economy was to evolve broadly as expected". "Developments since the previous meeting had supported that assessment", the RBA said on Tuesday. The bank also noted that resource exports are increasing at a rapid rate and the lower Australian dollar has helped an increase in international tourism arrivals.

It's looking more likely that the Australian economy will grow at a sluggish pace in 2014. The Westpac/Melbourne Institute Leading Index, which indicates the likely pace of economic activity three to nine months into the future, fell for a second month in a row in February. It was down 0.72% to -0.09% indicating below trend economic growth. Westpac senior economist Matthew Hassan said the economy struggled to sustain momentum in the past year or so.

Westpac's view is that GDP remains sluggish at 2.7% in 2014, and the index had been losing ground since October as the outlook for consumer sentiment and unemployment expectations worsens. Westpac does not expect the RBA to cut the cash rate in the foreseeable future.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8700	0.8500
Spot Ref:	0.8606	
Tenor:	2 weeks	
Date:	19 Mar 2014	
Time:	15:50 hrs	
Resistance / Support:	0.8700	0.8504
Commentary:		



- RBNZ begins rate hike cycle as economy gathers momentum (Thu 13-Mar).
- Dairy exports drive NZ surplus on goods and services to record (Wed 19-Mar).
- RBNZ sees stronger kiwi dollar for longer (Thu 13-Mar).
- NZ Q4 GDP data release (due on Thu 20-Mar, 05:45hrs SGT).

The RBNZ lifted its official cash rate by 0.25% to 2.75%, raising rates from a record low of 2.50%. The latest move signifies the first rate change since March 2011, making NZ the first major developed economy to lift interest rates from record lows. Whilst the rate rise was widely anticipated, the accompanying comments that came with the decision were more aggressive than expected. RBNZ Governor Graeme Wheeler said the RBNZ raised its growth forecasts for 2015 to 3.2% from 2.8% and for 2016 to 2.2% from 2.1%, adding that it sees inflation reaching the 2% midpoint of its target range by the second quarter of this year, and that inflationary pressures are increasing.

The kiwi dollar will stay at an elevated level for longer than previously thought as the local economic story finds favour with foreign investors. The RBNZ now anticipates the currency will remain elevated over its projection through to March 2017, "depreciating only gradually" according to the MPS. While the strong currency eats into export earnings, it also keeps down the price of imports, and the RBNZ expects tradable inflation to remain negative for much of its projected period through to March 2017.

Dairy exports drove New Zealand's surplus on goods and services to a record in the fourth quarter, helping offset an outflow of profits from foreign-owned companies and shrinking the nation's current account deficit. The current account gap fell to NZ\$1.43 billion in the fourth quarter, from a revised deficit of NZ\$4.88 billion in the third quarter, according to Statistics New Zealand. The annual gap fell to NZ\$7.55 billion, or 3.4% of GDP, from NZ\$8.87 billion, or 4.1%.

The seasonally adjusted balance on goods and services turned to a surplus of NZ\$1.8 billion, the highest since the series began in 1987 and a NZ\$1.9 billion turnaround from the September quarter deficit. That was driven by a NZ\$1.4 billion increase in exports of goods, led by dairy products, the government statistician said.



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