UOB 大華銀行

PRIVILEGE BANKING

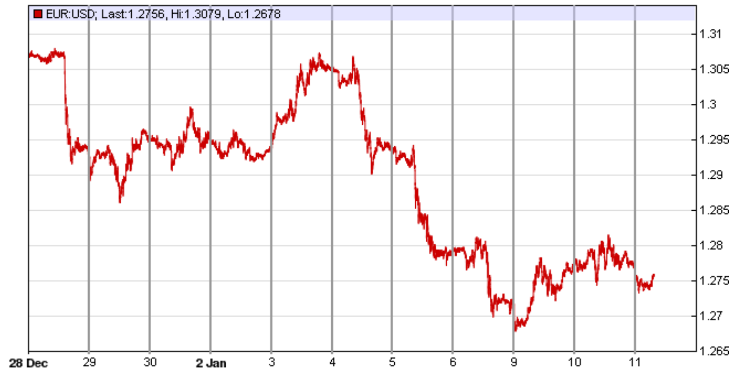
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 11 January 2012

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3050	1.2650
Spot Ref:	1.2757	
Tenor:	2 weeks	
Date:	11 Jan 2012	
Time:	15:10 hrs	
Resistance / Support:	1.3080	1.2653



Commentary:

- US Fed unlikely to start fresh round of buying; strong employment and jobs data shows economy on the rebound (Fri 06-Jan).
- Belgium freezes spending after EU warns of deficit overrun (Sun 08-Jan).
- IMF losing confidence in Greece (Sun 08-Jan).
- Europe may avoid recession this year, IMF says (Mon 09-Jan).
- Fitch: Italy likely to be downgraded, France remains safe (Tue 10-Jan).
- ECB likely to take wait-and-see approach to rates; focus on Mario Draghi's comments on possible future rate cuts (Thu 12-Jan).

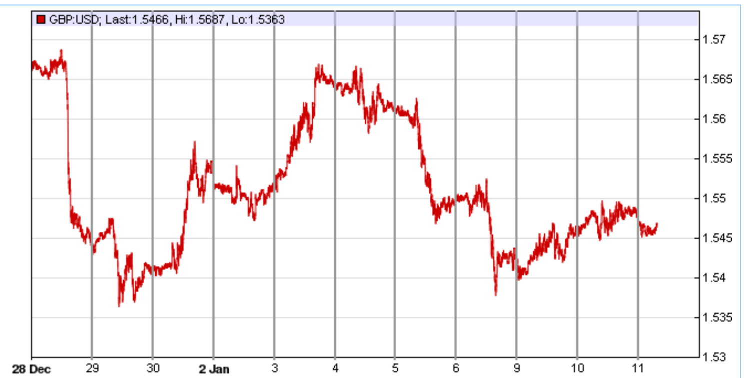
The US labour market unexpectedly added 200k jobs through the month of December, sending the unemployment rate to near 3-year low at 8.5%. A relatively empty US economic calendar in the coming week means that markets will keep their focus on developments in Europe; and momentum favours further weakness in the Euro, especially towards the middle of the week as markets get nervous ahead of Spain's bond auction on Thursday and Italy's on Friday.

Belgium froze 1.3 billion euro in spending after the EU warned that a weaker-than-projected economy would push the deficit above the government's targets. Belgium, saddled with Europe's fifth-highest debt, is battling to prevent a surge in borrowing costs. With the EU's prediction, the extra yield over German debt rose 6 bp to 278 bp.

The IMF is losing confidence in Greece's ability to clean up its public finances and reduce its mountain of debt. An internal memo said Greece's current readjustment program is insufficient and that new measures would have to be taken if the country is to avoid default and meet targets agreed with creditors. Europe may avoid a recession this year and there were reasons to be more upbeat about prospects for the region, the *Business Day* newspaper quoted IMF's MD Christine Lagarde.

The head of global sovereign ratings for Fitch riled up the Italian government Tuesday by saying the country was the pivotal factor on which the European financial crisis hinges, and suggesting its credit rating could be further downgraded. David Riley said the amount of money Italy plans to raise this year, some €440 billion, would be "daunting" given the current borrowing costs faced by Italy, and added the high yields on the country's notes "marked a profound intensification of the crisis." On Tuesday, the yield on Italian 10-year notes was 7.13%, over the 7% threshold that has historically been considered sustainable. The head of EMEA sovereign rating, Ed Parker, said Fitch might not downgrade France even though they placed the nation on negative watch; this was based on "some of the current economic and fiscal trends in France".

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5650	1.5250
Spot Ref:	1.5468	
Tenor:	2 weeks	
Date:	11 Jan 2012	
Time:	15:10 hrs	
Resistance / Support:	1.5560	1.5246



Commentary:

- RICS house-price index for December shows property market remains strained (Tue 10-Jan).
- British trade balance likely to have moved from surplus to deficit (Wed 11-Jan).
- Bank of England (BoE) Monetary Policy Committee (MPC) meeting is likely to keep rates unchanged at 0.5% (Thu 12-Jan).
- ECB likely to take wait-and-see approach to rates; focus on Mario Draghi's comments on possible future rate cuts (Thu 12-Jan).

The RICS house-price index for December gained one point to minus 16 from the previous month. This showed the property market continued to face strains last month from a deteriorating economic outlook and stretched consumers, according to the Royal Institution of Chartered Surveyors. The report is the latest to show the sovereign debt crisis in Europe is restraining demand for property in Britain, after Halifax said last week prices fell to the lowest level in 2 1/2 years.

British trade balance figures for November are due today, and the British visible trade balance is forecasted to have moved from a surplus to a deficit. This is hardly surprising as the British Pound strengthened against the Euro in November: the EUR/GBP fell 0.68% percent (and it has fallen more than 3% since 1-Nov).

The BoE's MPC meeting this Thursday is likely to keep the present policy unchanged at this point: the Bank Rate would remain at 0.5% and the quantitative easing (QE) programme at GBP 275 billion.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0450	1.0150
Spot Ref:	1.0306	
Tenor:	2 weeks	
Date:	11 Jan 2012	
Time:	15:10 hrs	
Resistance / Support:	1.0425	1.0250
Commentary:		

- Australian retail sales unexpectedly stalls in November (Mon 09-Jan).
- Australia November home approvals rise 8.4% (Tue 10-Jan).
- ABS: Job vacancies fall in 3 months to Nov (Wed 11-Jan).

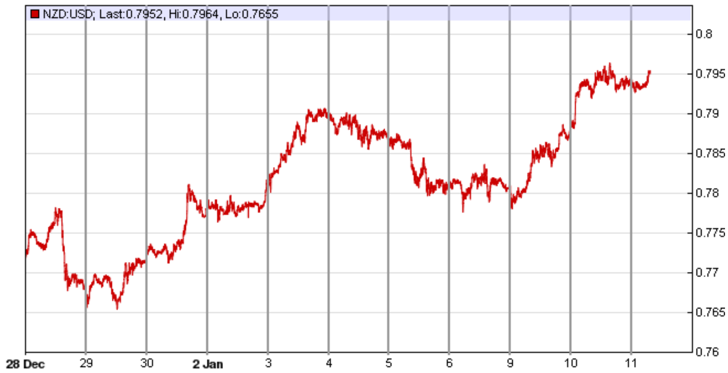
Australian retail sales unexpectedly stalled in November, ending four months of gains and pushing the nation's currency to a one-week low as traders increased bets that the central bank will cut interest rates. November retail sales rose to a lower-than-expected seasonally adjusted $20.933 billion (+0.2%) from $20.927 billion (+0.2%) in October and rose from $20.31 billion a year earlier, the Australian Bureau of Statistics said Monday. Retail sales, a broad reading on the health of consumer spending, which makes up about two-thirds of Australia's economy, had showed some signs of improving in the first part of 2011, but have since fallen broadly, with the pace of monthly gains falling in each of the last four months.

Approvals to build new homes in Australia jumped sharply in November in a partial recovery from two months of steep falls, offering hope the struggling sector might have finally hit bottom now interest rates are falling. Tuesday's data showed approvals to build new homes climbed 8.4% in November to 11,424, topping forecasts of a 7% gain. Approvals were still down almost 19% on the same month last year but could at least stabilise following rate cuts in both November and December.

The full benefit of the recent rate cuts has yet to be fully enjoyed by the housing market, and another RBA cut in February would provide a further support. Interbank futures imply a three-in-four chance the RBA will cut rates by a further 25 basis points to 4.0% when it next meets on 7-Feb.

The number of job vacancies in Australia fell 3.3% in the three months to November, official statistics showed. The total number of vacancies in November 2011 was 181,000, in seasonally-adjusted terms, compared with 187,100 in the previous quarterly survey in August, the Australian Bureau of Statistics (ABS) said on Wednesday.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8050	0.7750
Spot Ref:	0.7952	
Tenor:	2 weeks	
Date:	11 Jan 2012	
Time:	15:10 hrs	
Resistance / Support:	0.7980	0.7777
Commentary:		



- NZ trade deficit widens in November (Mon 09-Jan).
- NZ home building approvals fall 6.4% (Tue 10-Jan).
- NZ employment confidence drops (Wed 11-Jan).

New Zealand's trade deficit widened in November as imports such as crude oil and fertiliser outstripped the country's pace of export growth. The trade balance was a deficit of $308 million in the month of November, in line with market expectations of a $300 million shortfall, as a 10% lift in value of imports was bolstered by more foreign purchases of crude oil and fertiliser, Statistics New Zealand said on Monday. That's wider than the $177 million deficit in November 2010, and a shortfall of $208 million in the month of October. The value of exports rose 6.8% to $3.91 billion in November from the same month a year earlier, slower than the 10% lift in imports to $4.22 billion.

New Zealand home-building approvals fell 6.4% in November, giving the central bank room to hold interest rates at a record low. The decline was led by an 18% fall in South Island issuance to 419 new dwellings approved, and a 35% drop in consents issued in Wellington to 88. Auckland approvals continued to rise, up 19% to 430 in November.

The Westpac-McDermott Miller Confidence Index fell 4.6 points to 99.6 in the December quarter, indicating the number of pessimists outnumber optimists. It is the lowest level since June 2009. Current employment conditions dipped 0.5 points to 83.8, while employment expectations sank 7.5 points to 110.1. This is another sign that the storm clouds hanging over the global economy have started to affect New Zealanders' economic confidence.