

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

Wednesday, 28 November 2012





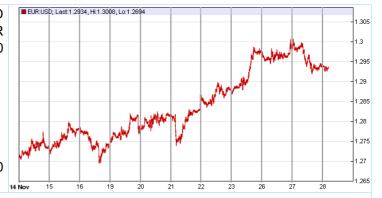
Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency: **EUR** USD **EUR** Alternate Currency: USD 1.2750 Strike Price: 1.3000 Spot Ref: 1.2934 Tenor: 2 weeks

28 Nov 2012 Date: Time: 12:30 hrs

Resistance / Support: 1.2975 1.2700 Commentary:



- Euro rally on hopes of a Greek deal although EU budget summit ended in deadlock (Fri 23-Nov).
 Eurozone, IMF reach deal on cutting long-term Greek debt (Mon 26-Nov).
- French jobless total hits 14-year high (Tue 27-Nov).

The euro last week had its biggest gain on speculation that Europe's policymakers will agree to keep aid flowing to Greece this week. European finance ministers said that a further meeting on Greece had been arranged for Monday and that only "technical problems" are holding up a deal. Among the options they are considering include recycling ECB profits on Greek bonds, charging Greece lower interest rates and extending repayment deadlines. To cut the debt more boldly, the IMF wants the eurozone to forgive Greece some of the official loans, known as Official Sector Involvement (OSI) in EU jargon, which Germany, the Netherlands, Finland and Slovakia, firmly reject.

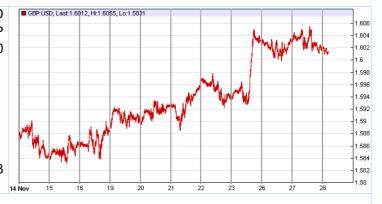
Eurozone finance ministers and the IMF clinched agreement on a new debt target for Greece on Monday in a breakthrough towards releasing an urgently needed tranche of loans to the near-bankrupt economy. After nearly 10 hours of talks at their third meeting Greece's international lenders agreed to reduce Greek debt by €40 billion, cutting it to 124% of GDP by 2020, via a package of steps. To reduce the debt pile, the ministers agreed to cut the interest rate on loans to Greece (by a further 100bps for on bilateral loans granted in 2010/2011) and return €11 billion to Athens in profits from ECB purchases of Greek government bonds on the secondary market.

The number of people out of work in France soared again in October to hit its highest level in 14-1/2 years, pilling pressure on Socialist President Francois Hollande who has promised to halt the relentless rise by end-2013. Labour ministry data showed the number of job seekers in mainland France rose by 45,400 or 1.5% to hit 3.103 million, marking the 18th consecutive monthly increase and taking the total to its highest level since April 1998.

GBP USD Base Currency: **GBP** Alternate Currency: USD 1.5850 Strike Price: 1.6100 1.6012 Spot Ref: Tenor: 2 weeks

Date: 28 Nov 2012 Time: 12:30 hrs

Resistance / Support: 1.6056 1.5843 Commentary:



- EU's €1-trillion budget summit ends in failure, Britain secured decent result (Fri 23-Nov).
- Canada's Mark Carney named as new BoE governor (Mon 26-Nov)
- UK inflation expectations fall in November: YouGov (Mon 26-Nov).
- UK out of recession in Q3 (Tue 27-Nov).

Talks on the EU's trillion euro budget ended in deadlock last Friday without a proposed seven-year budget when leaders of the 27-nation bloc failed to overcome seemingly irreconcilable differences on spending. The main obstacle at the summit was British Prime Minister David Cameron's demand for reductions in the budget, adding that "the most virulent" countries seeking cuts were Britain, Sweden and the Netherlands. The Daily Mail said Cameron deserved great credit for trying to force the spendthrift EU elite to join the real world, in which national budgets are being slashed and household incomes squeezed.

Britain named Canadian central bank chief Mark Carney on Monday to head the BoE, springing the surprise choice of a foreigner to push reform of its troubled financial system. Mr Carney will succeed Mervyn King who retires in July. During the crisis, Mr Carney helped to make Canada's recession one of the shallowest of the world's richest nations. No Canadian bank needed government help, and the country recovered all the jobs it lost in the downturn relatively rapidly.

Public inflation expectations in Britain for the next 12 months fell to 2.8% in November from 3.0% in October, a survey by polling company YouGov showed on Monday. Inflation expectations for the next 5-10 years also fell, dropping to 3.4% - the lowest since July - from 3.7% in October.

Britain's economy emerged from recession in Q3 with robust growth of 1.0% q/q, official data confirmed Tuesday, in what was set to be only a brief respite from world financial strains. The ONS added that British GDP had contracted by 0.1% in Q3 on an annual basis, compared with initial estimates of zero growth. GDP expansion was predicted to average 1.0% next year, the central bank said in its latest quarterly report. That compared with the previous forecast of around 2.0% given in August



- Aussie touches 2-month high as officials reach Greek deal (Mon 26-Nov).
- Moody's downgrades Queensland outlook (Mon 26-Nov).
- Construction work up 1.7% in September quarter (Wed 28-Nov)
- Aussie remains lower before Business Investment Report (due on Thu 29-Nov)

Eurozone finance ministers and the IMF clinched agreement on a new debt target for Greece on Monday after 10 hours of talks. The deal should open the way for a major aid instalment needed to recapitalise Greece's teetering banks and enable the government to pay wages, pensions and suppliers in December. Greece could receive up to €44 billion, although it remains unclear if the full amount will be paid in one go. The positive outcome added a boost to the Aussie dollar. Later in the week, markets would be watching domestic capital expenditure data, which could act as a guide to whether the RBA might cut interest rates again. Interest rate swaps data compiled by Bloomberg show traders see a 68% chance the RBA will cut the overnight cash rate target by 25 basis points to 3% at its next gathering.

Moody's downgraded its outlook for Queensland's AA1 credit rating, to negative from stable. The change reflects the deterioration in Queensland's financial performance which has persisted since fiscal 2007/08 and the resultant high levels of indebtedness. Queensland lost its AAA rating in 2009, at the height of the global financial crisis, and has had a AA1 rating since. Moody's downgrading of the outlook for Queensland's credit rating justifies deep budget cuts, the Newman government said.

Total construction work done in Australia rose 1.7% in the September quarter, according to the Australian Bureau of Statistics (ABS). Analysts had been expecting 2%. Over the year to the September quarter, the volume of construction work done was up by 6.0%. Australian business investment probably rose 2% in the quarter through September after advancing 3.4% in the previous quarter. The ABS will release the figures tomorrow. The Aussie weakened amid speculation the report will show a slowdown in capital expenditure growth, damping the outlook for the economy and the currency.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8300 0.8100
Spot Ref: 0.8215
Tenor: 2 weeks

Date: 28 Nov 2012 Time: 12:30 hrs

Resistance / Support: 0.8250 0.8080 Commentary:

- 0.826 0.824 0.822 0.816 0.816 0.816 0.816 0.816 0.816 0.816 0.816 0.816 0.816 0.816
- NZ suffers 3rd monthly trade deficit, dairy exports fall (Tue 27-Nov).
- NZ firms trim inflation forecasts; jobless rate to stay high (Tue 27-Nov).
- RBNZ Governor, Deputy Governor quash Quantitative Easing talk (Wed 28-Nov).

New Zealand chalked up its third monthly trade deficit in October, repeating last year's pattern, as shipments of dairy products fell and imports rose. The deficit was NZ\$718 million in October from a revised gap of NZ\$775 million in September, according to Statistics New Zealand. The annual deficit widened to NZ\$1.37 billion from a deficit of NZ\$880 million in the 12 months through September. Exports in October were valued at NZ\$3.46 billion, up from NZ\$3.3 billion in September, though down from NZ\$3.89 billion in October 2011. Imports grew to NZ\$4.18 billion in October from NZ\$4.08 billion in September and were up from NZ\$4.11 billion in October 2011.

New Zealand financial institutions are picking a slower pace of price increases in the coming year and aren't betting on the unemployment rate dropping below 6% for two years, according to a survey by RBNZ. Respondents are picking CPI to rise 0.3% and 0.5% in the December and March quarters, implying annual inflation of 1.5% and 1.4% respectively. "Monetary conditions are currently perceived as being easy, and are expected to remain easy over the forecast horizon," the survey said. The subdued inflation outlook comes after third-quarter CPI figures showed consumer prices rose at an annual pace of 0.8%, falling short of RBNZ's target band of between 1%-3%.

The RBNZ today again quashed suggestions that quantitative easing (QE) would benefit New Zealand, arguing that the potential inflationary and economic impact would be too severe. Countries using QE are facing inflationary implications and are damaging pricing mechanisms, RBNZ Governor Graeme Wheeler told a meeting of parliament's Finance and Expenditure Committee. The kiwi failed to rally following a two-day slide after Wheeler said manufacturing has been hurt by the kiwi's gains.



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