



Short Term Currency Views

Suggested MaxiYield Pairings

| | | |
|-----------------------|-------------|--------|
| Base Currency: | EUR | USD |
| Alternate Currency: | USD | EUR |
| Strike Price: | 1.3550 | 1.3350 |
| Spot Ref: | 1.3414 | |
| Tenor: | 2 weeks | |
| Date: | 30 Jul 2014 | |
| Time: | 10:30 hrs | |
| Resistance / Support: | 1.3499 | 1.3379 |
| Commentary: | | |

- Eurozone business activity rebounds, France lags (Thu 24-Jul).
- Eurozone private sector loans contract less in June - ECB (Fri 25-Jul).
- Geopolitical turmoil takes toll on German business outlook: IFO (Fri 25-Jul).
- US consumer sentiment rises well above expectations (Tue 29-Jul).

In Europe, the flash PMIs for July proved stronger than expected, especially with regards to the services sector. The Eurozone manufacturing PMI edged up 0.1 to 51.9, whilst the services PMI rose 1.6 to 54.4. Germany contributed to the improvement in both indices (especially the service sector, with the German PMI rising 2 points to a very solid 56.6). Meanwhile, the French manufacturing PMI fell 0.6 to 47.6, but the French services PMI climbed back above the 50 mark with a rise of 2.2 to 50.4. The overall composite PMI rose 1.2 to 54.0, thus returning to a level last seen in March.

A decline in lending to households and firms in the eurozone slowed slightly in June and money supply grew, as the ECB's new stimulus measures find their way through the system. ECB data showed on Friday that loans to the private sector fell by 1.7% in June from the same month a year earlier after a contraction of 2.0% in May. Eurozone M3 money supply - a more general measure of cash in the economy - grew at an annual pace of 1.5%, up from 1.0% in May.

German business sentiment slid markedly in July, suggesting that turmoil in Ukraine and the Middle East may weigh on Europe's largest economy. Germany's IFO index fell to 108.0 in July from 109.7 in June, with concerns about geopolitical risks cited as a key factor behind the decline. Sentiment weakened across sectors, hitting wholesalers and retailers as well as manufacturers and suggesting that the upheaval in Ukraine and the Middle East may be worrying consumers. Sentiment readings from other eurozone countries were also retreating. Manufacturers are anticipating a marked contraction in demand for the coming three months. There have been other recent examples in the eurozone of a reduction in confidence: French business sentiment and eurozone consumer confidence both recently fell.

| | | |
|-----------------------|-------------|--------|
| Base Currency: | GBP | USD |
| Alternate Currency: | USD | GBP |
| Strike Price: | 1.7100 | 1.6850 |
| Spot Ref: | 1.6950 | |
| Tenor: | 2 weeks | |
| Date: | 30 Jul 2014 | |
| Time: | 10:30 hrs | |
| Resistance / Support: | 1.7080 | 1.6836 |
| Commentary: | | |

- UK retail sales fall short of expectations (Thu 24-Jul).
- UK Q2 GDP up 0.8% q/q; economy now 0.2% ahead of its 2008 peak (Fri 25-Jul).
- UK home buyers' confidence tumbles over high prices and rates fears (Mon 28-Jul).
- IMF says 'overvalued' pound preventing rebalancing (Mon 28-Jul).

UK retail sales rose very modestly in June, reversing the drop seen in May but falling short of expectations. Retail sales volume in June including fuel was up 0.1% from May and up 3.6% from a year earlier, according to the ONS. This was slightly weaker than the 0.3% and 3.9% that economists forecast. Retail sales in Q2 rose 1.6% from Q1, but grew 4.5% from the same period in 2013, the highest calendar quarter growth in 10 years. Excluding auto fuel, retail sales was down 0.1%/m in June, up 4.0%/y.

The UK economy grew by 0.8% during Q2 of 2014 and is now 0.2% ahead of its pre-crisis peak in early 2008. In annual terms, growth was 3.1%, the fastest pace since the end of 2007. The dominant services sector again led the way in Q2, expanding by 1.0% from Q1, the fastest quarterly growth since Q3 of 2012. The services industry which accounts for 80% of the economy, is now bigger than before the crisis, at 3% above its previous peak. Industrial output and construction are both more than 10% smaller.

Fewer people than ever believe the next year is a good time to buy, with Londoners feeling the most gloomy. Confidence in the housing market has tumbled to its lowest level in at least three years amid fears of over-inflated prices and a potential rises in interest rates. Across the country, the net balance of people who believe the next year will be a good time to buy a home has plunged to 5% at the end of Q2 from 34% in Q1, according to Halifax's quarterly Housing Market Confidence tracker.

The IMF warned on Monday that the pound was "overvalued" and preventing the rebalancing of the economy away from a reliance on spending and imports. In its annual assessment of the UK economy, the fund said sterling was between 5% - 10% overvalued because of a "lack of competitiveness and limited export diversification". The fund's focus on sterling came after the pound has strengthened about 10% over the past year against the dollar and the IMF's assessment of real effective exchange rates - taking into account the UK's trading patterns and inflation - is 6% stronger than the 2013 average. Sterling's strength was impeding the efforts to close Britain's trade deficit and leaving too high a current account deficit, a measure that also includes investment income on foreign-owned assets.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9450 0.9300
 Spot Ref: 0.9385
 Tenor: 2 weeks
 Date: 30 Jul 2014
 Time: 10:30 hrs
 Resistance / Support: 0.9433 0.9349
 Commentary:



- China July HSBC flash PMI at 18-month high as stimulus kick in (Thu 24-Jul).
- S&P still happy to rate Australia AAA (Tue 29-Jul).
- Australia new home sales up 2% in June quarter: HIA (Tue 29-Jul).
- Aussie lower on strong US consumer sentiment data (Tue 29-Jul).

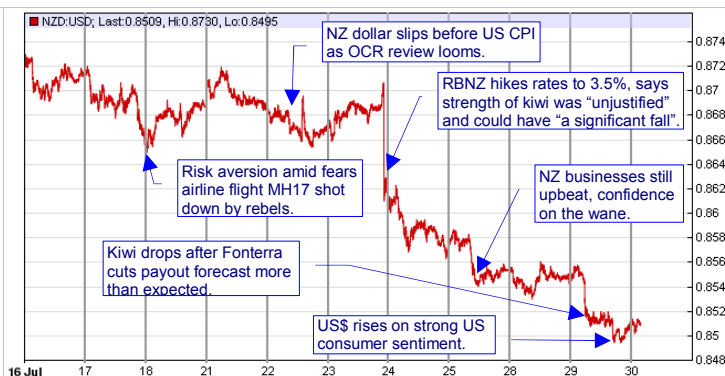
China's factory activity expanded at its fastest pace in 18 months in July as new orders surged, the latest indication that the economy is picking up as government stimulus measures kick in. The HSBC flash China manufacturing PMI rose to 52 in July from June's final reading of 50.7, beating a forecast of 51 in a Reuters poll. It was the highest reading since January 2013, and above the 50-point level for a second consecutive month. The Aussie hit a 3-week high on prospects of stronger exports to China.

The Australian housing market continues to strengthen, albeit at a more moderate pace, helped by a surge in multi-unit dwellings. New home sales were up 1.2% in June, seasonally adjusted, and were up 2% in the June quarter, the Housing Industry Association (HIA) said on Tuesday, adding that new home sales were strong across Australia with four out of the five mainland states recording increases. Sales of flats, townhouses and semi-detached houses were up 15.9% in June while sales of new detached houses fell 1%. As the recovery enters its third year, the magnitude and duration of the current new home building up-cycle is less certain.

Standard & Poor's has affirmed Australia's AAA rating, saying the nation's public finances remain strong with low debt and deficits. The federal government may be frustrated by opposition to its first budget. Although many of the budget measures are yet to clear parliament, S&P expects compromises will be reached eventually.

The Australian dollar is slightly lower after the release of strong US consumer sentiment data. The Conference Board reported that US consumer confidence has risen for the third month in a row, hitting its highest level in almost seven years. The consumer confidence index rose to 90.9 in July, up from 86.4 in June and much stronger than the 85.6 analysts expected. A year ago, the index stood at 81.0. The US Q2 annualised GDP growth forecasted at 3%/q will be released later today (20:30hrs SGT).

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8650 0.8400
 Spot Ref: 0.8509
 Tenor: 2 weeks
 Date: 30 Jul 2014
 Time: 10:30 hrs
 Resistance / Support: 0.8644 0.8392
 Commentary:



- RBNZ hikes rates to 3.5%, says strength of kiwi was "unjustified" (Thu 24-Jul).
- Kiwi drops after Fonterra cuts payout forecast more than expected (Tue 29-Jul).
- NZ businesses still upbeat, confidence on the wane (Fri 25-Jul).

RBNZ governor Graeme Wheeler raised the OCR by 0.25% to 3.5% as expected, while signalling a pause in rate hikes to assess the impact of moves so far this year. Wheeler said the currency strength was "unjustified" and could have "a significant fall". He omitted last month's comment about the economy having "considerable momentum". The market has become more convinced that RBNZ will wait, possibly until 2015, before hiking again in the face of falling commodity prices, relatively tame inflation and slowing house price inflation. The pause is not surprising, especially in the wake of lower-than-expected CPI of 1.6%, which sits in the lower half of the RBNZ's target band (1%-3%). A steep fall in dairy prices at Fonterra's latest fortnightly auction also gave impetus for the RBNZ to hold off on rate hikes for now.

NZ firms remained largely upbeat this month, though confidence is still coming off the boil amid falling dairy prices, a strong currency and rising interest rates, according to ANZ Bank's July Business Outlook survey. A net 39.7% of respondents in the survey expect business conditions to improve in the coming year, down from a net 42.8% in June. Those picking their own activity to get better was a net 45.1% from 45.8% in June. Pessimists among rural firms outnumbered optimists for the first time in 14 months, with a net 9.3% expecting a deterioration in business conditions. A net 26% of firms intend to lift prices over the coming year, up from a net 24.8% in June.

The kiwi dollar fell to the lowest level in almost seven weeks after Fonterra cut its forecast 2015 milk payout more than economists had expected, suggesting a bigger impact on the NZ economy. Farmers get less income, therefore they will spend less - that's a hit to the economy. Fonterra, the world's largest exporter of dairy products and NZ's biggest company, lowered its forecast Farmgate Milk Price for the 2014/2015 season to \$6/kg of milk solids from an earlier estimate of \$7/kgMS. Prices of dairy products fell to the lowest level since December 2012 in the latest GlobalDairyTrade auction. Consensus had been for the forecast to be reduced to \$6.25-\$6.50/kgMS.



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