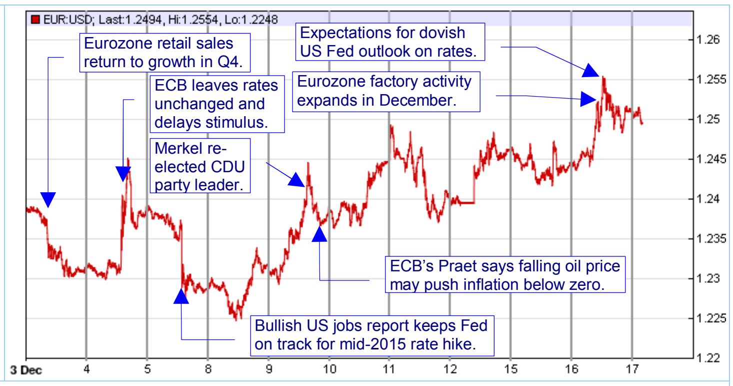
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 17 December 2014

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2600	1.2250
Spot Ref:	1.2494	
Tenor:	2 weeks	
Date:	17 Dec 2014	
Time:	11:50 hrs	
Resistance / Support:	1.2641	1.2233



Commentary:

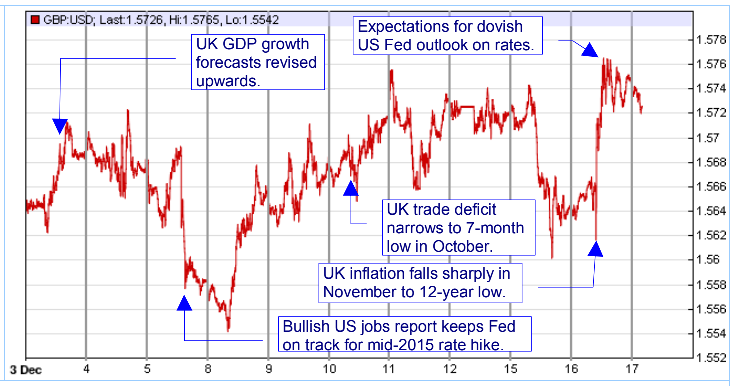
- Tepid response among eurozone banks for ECB cheap loans (Thu 11-Dec).
- Eurozone private sector ends 2014 with weak growth, more price cuts (Tue 16-Dec).
- Eurozone output rises in October on consumer goods (Fri 12-Dec).
- US dollar slips on expectations for dovish Fed outlook on rates (Tue 16-Dec).

Banks showed only moderate interest on Thursday in a second round of cheap loans that the ECB is offering in hopes of restoring commercial bank lending and combating low inflation. The response is likely to reinforce expectations that the ECB will soon have no choice but to begin large-scale asset purchases to pump money into the flagging eurozone economy. Banks took €130 billion in loans from the ECB, which offered a fixed interest rate of 0.15% for four years. In the first round of loans in September, banks borrowed €82.6 billion. In all, European banks have tapped only about half the available money since the cheap loans were first offered in September.

A strong rise in output of consumer goods kept eurozone industrial production rising in October despite a deep fall in energy production. Eurostat said industrial production in the EU18 countries rose 0.1%m/m in October for a 0.7%y/y gain. Analysts had expected a 0.2%m/m increase and a 0.6%y/y rise. Eurostat revised down its production data for September to 0.5%m/m from 0.6% and to 0.2%y/y from the previously reported 0.6%. Energy output fell 1.9%m/m and 2.5%y/y. This offset much of the 1.8%m/m rise in non-durable consumer goods and the 0.9% increase in durable consumer goods. Year-on-year non-durable consumer goods rose 3.7% and durable goods 0.2%.

Eurozone businesses are ending 2014 in slightly better shape than thought but growth remains weak and firms are still cutting prices to encourage trade, surveys by Markit showed on Tuesday. Markit's Composite Flash PMI seen as a good growth indicator, rose to 51.7 from a 16-month low of 51.1, beating estimates for a rise to 51.5 but was the second-lowest reading in over a year. December marks the 18th month the index has been above the 50 level. A PMI covering the service industry rose to 51.9 from 51.1, beating expectations for 51.5, while the factory PMI posted a similar jump, coming in at 50.8, up from 50.1 in November. The Reuters poll had forecast 50.5.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5850	1.5550
Spot Ref:	1.5726	
Tenor:	2 weeks	
Date:	17 Dec 2014	
Time:	11:50 hrs	
Resistance / Support:	1.5890	1.5542



Commentary:

- UK trade deficit narrows to seven-month low in October (Wed 10-Dec).
- Asking prices for UK homes suffer record fall - Rightmove (Mon 15-Dec).
- UK house price growth slows to 18-month low - RICS (Thu 11-Dec).
- UK inflation falls sharply in November to 12-year low (Tue 16-Dec).

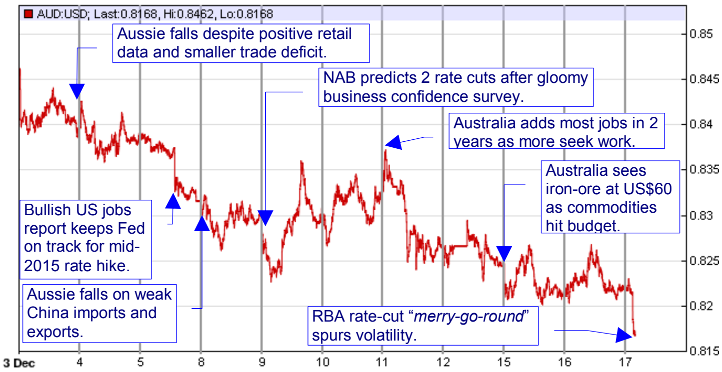
The trade deficit in goods dropped to £2bn in October from £2.8bn in September, the lowest since March. The ONS said exports rose by £200m between September and October to £24.3bn, mainly owing to higher exports of erratic items, notably silver. Imports fell by £700m in October, driven by lower oil imports from countries outside the EU, returning to more normal levels after September's high. The goods trade deficit for October shrank to £9.6bn from £10.5bn, marking its lowest level for seven months, but still above the £9.5bn expected. The lack of a significant improvement in the volume of exports has raised concerns about the strength of the UK's economic recovery.

British house prices grew at their slowest rate in a year and a half during the past three months, RICS said on Thursday, but a planned cut to property taxes is likely to temper the lull in sales. Its monthly house price index sank to +13 in November, down from +20 in October and its lowest level since May 2013, when Britain's housing market started to pick up strongly. Economists had expected the index, which measures surveyors' view of price trends over the preceding three months, to drop to +17.

Asking prices for homes on sale in Britain posted the largest monthly fall on record in December but are likely to rise by between 4% and 5% next year. The 3.3% drop took prices of property coming onto the market to an average of £258,424 this month, according to Rightmove's House Price Index. Britain's housing market still seems to be heading for further price gains next year, Rightmove said, even after its strong recovery lost some momentum in recent months due to meagre wage growth and tighter mortgage regulation. Asking prices in 2014 rose by 7% for the year and Rightmove said it expected growth to continue in 2015, although at a slower pace.

British inflation fell unexpectedly to its lowest level in more than 12 years in November, further easing a squeeze on consumers and leaving the BoE under no pressure to raise interest rates soon. Reflecting a slide in global oil prices that has pushed down inflation around the world, and raised concerns about deflation in some countries, the CPI rose by an annual 1.0% in November, the lowest since September 2002 pushed down by motor fuel prices which fell 5.9%, compared with 1.3% in October.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.8350	0.8050
Spot Ref:	0.8168	
Tenor:	2 weeks	
Date:	17 Dec 2014	
Time:	11:50 hrs	
Resistance / Support:	0.8379	0.8083



Commentary:

- Australia adds most jobs in 2 years as more seek work (Thu 11-Dec).
- Australia's fiscal outlook dims, deficit forecasted for next 4 years (Mon 15-Dec).
- Australia sees iron-ore at US$60 as commodities hit budget (Sun 14-Dec).
- RBA board discussed market expectations of possible rate cut (Tue 16-Dec).

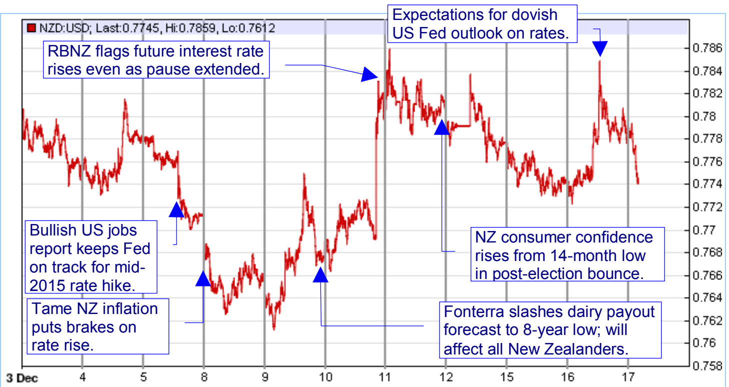
Australian employers added the most jobs in more than two years last month as the RBA's plan to spur growth with record-low interest rates bears fruit. The number of people employed rose by 42,700, the biggest gain since March 2012 and almost three times the expected 15,000, ABS said. The unemployment rate climbed to 6.3%, a 12-year high, as more people entered the labour force seeking work. The number of full-time jobs rose by 1,800 in November, and part-time employment jumped by 40,800. Australia's participation rate, a measure of the labour force in proportion to the population, rose to 64.7% in November from 64.6% a month earlier.

Australia estimates iron ore will trade at about US$60 a metric ton as the biggest slump in its terms of trade since records began more than 50 years ago deepens the budget deficit. The price of the material used to make steel has almost halved this year and slumped to a five-year low of US$68.49 a ton last month. That compares with a US$92 projection in the budget, Treasurer Joe Hockey told reporters on Sunday. "We are forecasting that it'll remain around US$60 a ton for the foreseeable future", Hockey said. The decline in the price of iron ore "has had a big impact on the budget, as had a 15% fall in thermal coal and 20% fall in wheat prices".

In his mid-year budget update on Monday, Treasurer Joe Hockey said it would now take until the 2020 financial year to reach a surplus. The Mid-Year Economic and Fiscal Outlook forecast a A$40.4 billion deficit this year and shortfalls of A$103.9 billion over the next four years. The economy is expected grow by 2.5% in 2014-15, not fast enough to prevent a rise in unemployment to 6.5%, from the current 12-year high of 6.3%.

RBA board members "noted that market expectations implied some chance of an easing of policy during 2015 and discussed the factors that might be producing such an expectation", the RBA said in minutes of its December 2 meeting, where it kept the rate at a record low 2.5%.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7900	0.7600
Spot Ref:	0.7745	
Tenor:	2 weeks	
Date:	17 Dec 2014	
Time:	11:50 hrs	
Resistance / Support:	0.7917	0.7661



Commentary:

- RBNZ flags future interest rate rises even as pause extended (Thu 11-Dec).
- RBNZ adds yuan to NZ dollar index, slashes US dollar weighting (Mon 15-Dec).
- NZ consumer confidence rebounds in December (Fri 12-Dec).

RBNZ said additional rate increases will eventually be needed even as it extended its tightening pause amid softer inflation. The currency surged. "Some further increase in the official cash rate is expected to be required at a later stage", Governor Graeme Wheeler said after keeping the official cash rate at 3.5%. The RBNZ lowered its forecast for the 90-day bank bill rate, suggesting borrowing costs won't rise again until the second half of 2015. Wheeler is extending the rate pause he began in September after Q3 inflation fell to the bottom of his 1%-to-3% target range and as dairy and oil prices slump. He said gradual increases in rates will still be needed as the economy expands at around 3% a year and the country's jobless rate falls. The exchange rate doesn't reflect lower dairy prices and remains "unjustifiably and unsustainably high".

The ANZ-Roy Morgan consumer confidence index rose to 126.5 from 121.8 in November, bouncing back to a 3-month high in December. The survey showed respondents feeling better off and more optimistic about their own prospects. The current conditions index increased 6.6 points to 126.1, while future conditions gained 3.4 points to 126.8. NZ's September 20 general election had been cited as a reason for everything from lower building consents to a drop off in share market activity, reduced house sales and investors dumping shares in power companies. Expectations for consumer price inflation over the next 2 years fell to 3.1% from 3.8% in November.

From today, the RBNZ changes the way it calculates the kiwi's trade-weighted value to better reflect its growing trading ties with China, while cutting the share of US dollars, euros and yen. The Australian dollar will comprise 21.98% of the index, the largest proportion and rising from 21.61% now, while the Chinese yuan will be added to make up 20.09%. The US dollar, which accounts for 31.71% of the index, will see its weighting cut to 12.34% while the euro component will fall to 10.87% from 26.85%.