



## Short Term Currency Views

### Suggested MaxiYield Pairings

|                       |             |        |
|-----------------------|-------------|--------|
| Base Currency:        | EUR         | USD    |
| Alternate Currency:   | USD         | EUR    |
| Strike Price:         | 1.3550      | 1.3300 |
| Spot Ref:             | 1.3418      |        |
| Tenor:                | 2 weeks     |        |
| Date:                 | 20 Feb 2013 |        |
| Time:                 | 16:30 hrs   |        |
| Resistance / Support: | 1.3500      | 1.3300 |

**Commentary:**

- Eurozone registers €81.8 billion trade surplus in 2012 (Fri 15-Feb).
- France moves away from budget deficit goal (Mon 18-Feb).
- German investor confidence surges to 3-year high (Tue 19-Feb).
- EU misses Basel bank rules deal, will revive talks next week (Tue 19-Feb).

The 17-nation eurozone's trade in goods recorded a surplus of €81.8 billion in 2012, compared with a deficit of €15.7 billion in 2011, Eurostat said Friday. The data also showed that the 27-nation EU recorded a deficit of €104.6 billion in 2012, which was an improvement on the previous year's deficit of €162.7 billion. In December 2012, the eurozone's trade in goods balance with the rest of the world delivered a €11.7 billion surplus, compared with a surplus of €8 billion in the same period of 2011. For the EU, the figure was €700 million deficit in the last month of 2012, compared with €200 million deficit in December 2011. The largest surplus was observed in Germany at €174.6 billion followed by the Netherlands, Ireland and the Czech Republic, while Britain registered the largest deficit at €152.9 billion, followed by France, Spain and Greece.

Citing a Europe-wide recession, France's Socialist government is moving away from its promise to bring its budget deficit down to 3% of GDP this year, arguing that the recession creates an exceptional circumstance requiring less austerity. "I don't think our credibility will be damaged if something exceptional intervenes," France's finance minister, Pierre Moscovici, said on Monday. "If we have a deeper recession, we'll have an even tougher time hitting our targets. We must not add austerity to the risk of recession." The recession in the eurozone "is a collective problem", he said. "It's unacceptable that eurozone growth in the last quarter was minus 0.6%."

German investor confidence jumped more than economists forecast in February to the highest in almost three years, adding to signs that Europe's largest economy is rebounding from its slump. 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, climbed to 48.2 from 31.5 in January, far exceeding forecasts for a gain to 35. That's the highest since April 2010.

The EU failed to seal a deal on Basel bank rules after disagreeing on bonuses, capital requirements for big lenders and powers available to the European Banking Authority at talks in Brussels yesterday. Lawmakers from the European Parliament and diplomats agreed to reconvene on February 27 after their negotiations ended without a deal on how to implement components of Basel bank regulations in the bloc. EU lawmakers have insisted that the EU legislation to implement Basel III include curbs on variable pay as part of a quest to reshape lenders as utilities rather than money-making machines.

|                       |             |        |
|-----------------------|-------------|--------|
| Base Currency:        | GBP         | USD    |
| Alternate Currency:   | USD         | GBP    |
| Strike Price:         | 1.5600      | 1.5350 |
| Spot Ref:             | 1.5430      |        |
| Tenor:                | 2 weeks     |        |
| Date:                 | 20 Feb 2013 |        |
| Time:                 | 16:30 hrs   |        |
| Resistance / Support: | 1.5600      | 1.535  |

**Commentary:**

- British pound falters on dovish BOE plan (Wed 13-Feb).
- UK home asking prices rise to 5-year high: Rightmove (Mon 18-Feb).
- Markets await minutes from the BOE January monetary policy meeting (due on Wed 20-Feb).

The pound fell sharply against the greenback after the BoE last Wednesday signalled a dovish approach to inflation amid efforts to bolster the economy. The latest quarterly report reaffirmed its easy-money policy, even in the face of higher inflation, predicting a "slow but sustained" recovery, but said the 12-month inflation rate would top 3% in the summer months. Despite elevated inflation, BoE governor Mervyn King said the bank will stay the course as far as stimulus measures. "Attempting to bring inflation back to target sooner would risk derailing the recovery and undershooting the target in the medium term", King said, suggesting more QE could be on the way.

UK home sellers raised their asking prices to the most in five years in February as inquiries from potential buyers increased. Prices sought rose 2.8% in February from January to £235,741. They increased 1.1% from a year earlier. In London, prices gained 1.2%, the smallest increase for a February in four years, although asking prices were up 8.4% from a year earlier; while average asking price reached a record £486,890 the pace of increases is slowing, gaining only 0.7% from three months ago. GBP/USD fell to a 7-month low of 1.5414, following reports that the UK might soon lose its AAA rating.

|                       |             |        |
|-----------------------|-------------|--------|
| Base Currency:        | AUD         | USD    |
| Alternate Currency:   | USD         | AUD    |
| Strike Price:         | 1.0450      | 1.0250 |
| Spot Ref:             | 1.0354      |        |
| Tenor:                | 2 weeks     |        |
| Date:                 | 20 Feb 2013 |        |
| Time:                 | 16:30 hrs   |        |
| Resistance / Support: | 1.0450      | 1.0300 |

■ AUD:USD; Last:1.0354, Hi:1.0399, Lo:1.0228

■ RBA: lower rates have spurred economy (Tue 19-Feb).  
 ■ RBA: Australia will benefit from brighter outlook for China (Tue 19-Feb).  
 ■ Australia wage gains quickened last quarter on higher mining pay (Wed 20-Feb).

The Reserve Bank of Australia said there are indications that lower borrowing costs are starting to spur its economy and reiterated that tame prices provide scope to ease further if needed. Governor Glenn Stevens and his board, who kept the benchmark rate unchanged this month, noted that the local currency's strength does not reflect the significant decline in the nation's terms of trade. At 3%, the overnight cash rate target matches the level reached from April-October 2009 that was the lowest since 1960, as the RBA seeks to spur industries outside mining to compensate for an expected peak in resource investment this year.

The outlook for Australia's biggest trading partner has brightened, the RBA said. China's economy grew 7.9% in the final three months of 2012 from the same period a year earlier, halting a seven-quarter deceleration. The World Bank forecasts that economic growth will quicken to 8.4% this year, more than four times the pace of the US. "A wide range of indicators showed that growth in the Chinese economy had stabilised, underpinned by public spending and somewhat stimulatory financial policies," the RBA said. "There had also been indicators of stronger growth of domestic demand" in east Asia, excluding Japan, the minutes showed.

Australian wages rose at a faster pace in Q4, spurred by higher salaries in the mining industry and wholesale trade. The wage price index, which measures hourly pay rates excluding bonuses, advanced 0.8% from the previous quarter, when it rose 0.7%, matching the median estimate in a Bloomberg News survey. The wage price index advanced 3.4% in the fourth quarter from a year earlier, today's report showed, matching the median economist forecast. Hourly rates of pay in the mining industry jumped 5.1% and advanced 4.5% in wholesale trade, the biggest increases among the 18 industries surveyed by the statistics bureau. Pay at retailers increased 2.4% from a year earlier, and accommodation and food services rose 2.2% -- the weakest figures.

|                       |             |        |
|-----------------------|-------------|--------|
| Base Currency:        | NZD         | USD    |
| Alternate Currency:   | USD         | NZD    |
| Strike Price:         | 0.8550      | 0.8350 |
| Spot Ref:             | 0.8410      |        |
| Tenor:                | 2 weeks     |        |
| Date:                 | 20 Feb 2013 |        |
| Time:                 | 16:30 hrs   |        |
| Resistance / Support: | 0.8550      | 0.8395 |

■ NZD:USD; Last:0.8410, Hi:0.8535, Lo:0.8298

■ NZ dollar gains after strong manufacturing and consumer confidence data (Thu 14-Feb).  
 ■ Kiwi at 17-month high against greenback as Q4 retail sales rose 2.1% (Fri 15-Feb).  
 ■ Kiwi drops as Wheeler says prepared to intervene (Wed 20-Feb).

The kiwi got a boost from strong second-tier data, with consumer confidence at a 32-month high, according to an ANZ Roy Morgan survey, and manufacturing activity at an eight-month high, based on a BNZ-Business New Zealand series. The surveys painted a more optimistic picture of the local economy.

New Zealand retail sales recorded the fastest growth in six years in Q4, adding to signs of a rebound in consumer spending and sentiment, and sending the trade-weighted index to a post-float high. The total volume of retail sales rose 2.1%, seasonally adjusted, in Q4 2012 and rose 2.9% from the same period a year earlier, according to Statistics New Zealand. Quarterly sales beat economist estimates of 1.4% growth. The kiwi climbed to its strongest in 17 months against the greenback as non-resident holdings of the nation's sovereign debt rose to the most since October 2009. Speculators were boosting bets that RBNZ will raise interest rates.

The kiwi weakened versus all of its 16 major counterparts after central bank Governor Graeme Wheeler said the monetary authority is prepared to intervene to influence the currency's level. The kiwi fell against the dollar and yen as Wheeler said the RBNZ can "attempt to smooth the peaks" of the exchange rate, in the text of a speech today. Wheeler's comments are clearly very bearish for the kiwi as far as the RBNZ's policy on intervention is concerned.



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