



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3000	1.2700
Spot Ref:	1.2858	
Tenor:	2 weeks	
Date:	27 Mar 2013	
Time:	09:30 hrs	
Resistance / Support:	1.3000	1.2800
Commentary:		

- Cyprus bailout deal reached; 2 largest banks restructured (Mon 25-Mar).
- Cyprus banks remain closed until Thursday to avert run on deposits (Mon 25-Mar).
- Fears that Cyprus bailout sets precedence for the Eurozone (Mon 25-Mar).
- French unemployment rises, knocks consumer morale (Tue 26-Mar).

Cyprus has agreed to an international bailout, paving the way for €10 billion of emergency loans and eliminating the threat of default. It will get the first tranche of bailout in early May. President Nicos Anastasiades reached a tentative agreement earlier Monday with Troika officials from the EU, ECB and IMF. The plan will spare Cyprus a financial meltdown by winding down Bank Laiki, and shifting deposits below €100,000 to the Bank of Cyprus to create a "good bank". Deposits above €100,000 in both banks, which are not guaranteed under EU law, will be frozen and used to resolve Bank Laiki's debts and recapitalize Bank of Cyprus through a deposit/equity conversion.

The euro gained against the dollar on the news in early Asian trading but the initial positive sentiment quickly eroded and the euro tumbled below 1.29 on concerns that the Cyprus's bank-restructuring plan will serve as a template for future banking sector rescues and pave the way for losses on deposits in other European nations after Dutch Finance Minister Jeroen Dijsselbloem, who heads the Eurozone finance ministers group, said that the costs of bank recapitalisations should not fall on the public sector, but on bondholders, shareholders and, if necessary, uninsured deposit holders. Dijsselbloem subsequently released a statement saying that Cyprus was a specific case. Cyprus extended the closure of its banks until Thursday for the smooth functioning of the entire banking system, putting in place capital controls to avert a run on deposits.

Jobless numbers in France climbed towards a record high in February, with the now 22-month rise taking an increasingly heavy toll on consumer morale in the euro zone's second-biggest economy. Registered jobseekers in mainland France rose by 18,400 from January to 3.188 million, the highest since June 1997 and ever closer to the record of 3.196 reached in January of that year. Unemployment has climbed steadily to its highest level in more than 13 years, affecting 10.6% of the workforce in Q4 of 2012. INSEE's consumer morale index fell to 84 from 86 in February, its lowest level since November and slipping further away from a long-term average of 100.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5250	1.5050
Spot Ref:	1.5161	
Tenor:	2 weeks	
Date:	27 Mar 2013	
Time:	09:30 hrs	
Resistance / Support:	1.5250	1.5100
Commentary:		

- Fitch poised to cut UK's AAA rating soon (Fri 22-Mar).
- Carney interest-rates wish seen boosting short-maturity debt (Tue 26-Mar).
- UK house prices rises most in 3 years: Hometrack (Mon 25-Mar).
- BoE's Tucker says UK recovery requires repair of wounded banks (Tue 26-Mar).

Britain looked poised to lose its AAA rating from a second ratings agency after Fitch Ratings warned on Friday it was likely to downgrade the country in the coming weeks, citing high government debt levels and weak growth. Debt levels are to peak in 2016-2017 at 100.8% and 85.6% of GDP and only begin to decline in 2017-2018.

House prices in England and Wales posted their biggest month-on-month gain in three years in March, driven by increases in London. House prices rose 0.3% from February, the biggest increase since March 2010, reported Hometrack. In year-on-year terms house prices were flat, the first time they have not fallen since September 2010. In London, prices jumped 0.7% in March from February and in the rest of England and Wales they rose in a fifth of postcode areas, the highest percentage for three years. Prices fell in only one region, the north east. Halifax said earlier this month that in the three months to February, house prices were 1.9% higher than a year ago.

Bond strategists cut estimates for UK two-year note yields at the end of this year to a record, emboldened by the potential for governor-designate Mark Carney to use new powers to pin down borrowing costs. Economists say the yield difference between 2-year and 10-year securities will widen for the first time in four years as investors shun debt with longer maturities, concerned that additional policy measures to boost growth will spur price increases that erode the fixed payments on bonds. Chancellor of the Exchequer George Osborne added weight to those estimates last week when he said he may permit the BoE to offer forward guidance on interest rates.

BoE Deputy Governor Paul Tucker, discussing capital shortfalls at banks, said British banks need to strengthen their resilience in order for an economic recovery to take hold. The Financial Policy Committee is meeting on an interim basis until the bank receives new powers to oversee the financial system on April 1. Andrew Bailey, the UK's chief banking supervisor and BoE Deputy Governor-designate for prudential regulation said the new arrangement would improve oversight.



- Aussie dollar remains higher as banks safe amid Cyprus turmoil (Mon 25-Mar).
- Australia warned of future China crisis double whammy: Nomura (Tue 26-Mar).
- Australian homebuyer confidence lowest since 2008: Genworth Financial Inc (Wed 27-Mar).

The Australian dollar remained higher, maintaining three weeks of gains, as investors speculated the nation's banks will be untouched by concerns in Europe that bank deposits are under threat. There was a bit of safe-haven buying last week and, given that Australian bank ratings are still among the highest in the world, investors are looking favourably on Australia. There would be an influx of deposits if things worsen in Europe and that would be supportive for the Aussie currency.

Nomura is warning that debt levels in China are teetering at unsustainable levels, and that the seeds of a future financial crisis in China have been sown. Debt in China is believed to be between 150% and 200% of GDP, pushed up by easy monetary policy the government has used to foster economic growth, especially in the wake of the global financial crisis. Australia could be hit with the double whammy of falling commodity prices and a rising currency if the looming financial crisis in China materialises. "When we compare China to other countries that have had crisis we would say that China is now in the danger zone in terms of debt. The Australian dollar in recent years has become a safe haven currency and, if we see this China slowdown, we could see Asian central banks and sovereign wealth funds pour more money into Australia as a safe haven trade. So the Australian dollar could remain very strong despite commodity prices coming off, and that would be even worse for Australian exporters."

Australian homebuyer confidence fell to the lowest level since 2008 as concerns about job security outweighed historically low interest rates and improved affordability. The bi-annual Genworth Homebuyer Confidence Index declined to 93.4 in March from 98.4 in September. The proportion of borrowers who expect to face difficulties repaying their home loans in the next year rose to 27% this month from 19% in September. First-home buyers were the most pessimistic, with the Genworth index falling to 85.9 in March from 98.5 in September, and 41% of recent purchasers expecting difficulties repaying their mortgages over the next year, up from 19% six months ago.



- NZ GDP growth turns in fastest quarterly pace in 3 years (Thu 21-Mar).
- Christchurch retail rebound continues (Mon 25-Mar).
- NZ posts bigger than expected trade surplus in February (Tue 26-Mar).

The NZ economy grew at the fastest quarterly pace in three years in Q4 of last year as demand for forestry exports underpinned gains in the primary sector. The kiwi dollar climbed on the figures. GDP grew 1.5% to NZ\$36.81 billion in Q4, from a 0.2% pace in Q3, according to Statistics New Zealand. That's almost twice the 0.8% pace of expansion predicted by the Reserve Bank in its latest forecasts published last week and the fastest pace since December 2009. The economy grew at an annual pace of 2.5%, the highest annual GDP growth since March 2008. Activity in the December quarter was 3% higher than the same period in 2011.

Sales in cafes, restaurants, hotel and motels in Christchurch surged in the quarter before Christmas, bringing that sector back to where it was before the earthquakes. Sales at food and accommodation businesses in Q4 lifted strongly, 4.1% above the September quarter. StatsNZ said "accommodation and food services activity in Christchurch has now returned to pre-quake levels". Sales in other parts of retailing were more moderate and rose 0.8% in the quarter. Overall, the total rise in Christchurch retailing in Q4 was 1.3%, behind the national increase of 1.7% in Q4. Sales growth in retail trade in Christchurch after the earthquakes is still trailing the growth in the rest of the country but the gap is closing fast. Christchurch's total retail sales have risen 8.3% since June 2010, before the quakes, while national growth has been 10%.

NZ posted a biggest-than-expected trade surplus last month on shipments of whole milk powder, logs and sheep meat to China. The surplus was NZ\$414 million in February from a revised deficit of NZ\$287 million in January, said StatsNZ. The annual trade deficit narrowed to NZ\$1.08 billion from NZ\$1.3 billion, beating expectations for a monthly surplus of just NZ\$17 million and an annual gap of NZ\$1.48 billion. Exports last month rose 8% from a year earlier to NZ\$3.9 billion, driven by a 24% gain in shipments of milk powder, butter and cheese. Imports rose 2.5% to NZ\$3.5 billion, led by an 11% gain in consumption goods such as clothing, footwear and furniture.



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