



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3150	1.2850
Spot Ref:	1.3060	
Tenor:	2 weeks	
Date:	04 Jun 2013	
Time:	14:50 hrs	
Resistance / Support:	1.3280	1.2820
Commentary:		



- Eurozone unemployment hits a record high 12.2% (Fri 31-May).
- Eurozone factory downturn eases but remains widespread: PMI (Mon 03-Jun).
- ECB seen holding fire after recent rate cut, rate decision due on Thu 6-Jun.
- Eurozone inflation rises to 1.4% in May: Eurostat (Fri 31-May).
- ECB's Draghi says euro zone on track for "very gradual" recovery (Mon 03-Jun).
- Surprise US factory downturn holds back growth; USD weakens (Mon 03-Jun).

The downturn in eurozone manufacturing eased markedly last month but it remained widespread as falling prices for factories' goods failed to drum up new business. Markit's Eurozone Manufacturing PMI rose to 48.3 from April's 46.7, coming in ahead of an earlier flash reading of 47.8 but spending its 22nd month below the 50 level. The reading is the highest since February 2012 and is the first time the downturn has eased in four months. The PMI for Germany remained sub-50 but it did improve and it was a similar story in neighbouring France. Spanish and Italian PMIs also rose. Markit's economist said "it is reassuring to see the rate of decline ease to such a marked extent".

The eurozone economy is on track for a recovery later this year driven by the ECB's loose monetary policy and demand from abroad, the bank's President Mario Draghi said. The ECB cut interest rates to a new record low in May and said it would act again if necessary but its hand may in part be stayed this month and going forward by a rebound in inflation, which rose back to 1.4% in May from 1.2% in April. Despite the upturn, the inflation rate remained well below the ECB's target of just below 2.0% for a fourth month running and unemployment in the eurozone reached a fresh high in April at 12.2%, fuelling further calls for policymakers to do more to help the economy.

After the ECB's last policy meeting a month ago, the bank said economic activity should stabilise and recover gradually. The bank meets again on rates on Thursday. "Only through steadfast pursuit of such structural reforms can the competitiveness of euro area economies in the global marketplace be restored", Draghi said. The ECB can only start buying a government's bonds once the country has signed up to strict reforms under a bailout programme and even then, Draghi said, the OMT was "designed to keep government bond yields just below 'panic' levels". Last week, the European Commission announced that several countries would be given more time to meet deficit targets.

Manufacturing in the US unexpectedly shrank in May at the fastest pace in four years, showing slowdowns in business and government spending are holding back the world's largest economy. The ISM's factory index fell to 49, the lowest reading since June 2009, from the prior month's 50.7 and expectations for 51. Across-the-board federal budget cuts and overseas markets that are struggling to rebound will probably continue to curb manufacturing, which accounts for about 12% of the economy. At the same time, demand for automobiles, gains in residential construction and lean inventories may spark a pickup in orders and production in the second half of the year.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5500	1.5050
Spot Ref:	1.5307	
Tenor:	2 weeks	
Date:	04 Jun 2013	
Time:	14:50 hrs	
Resistance / Support:	1.5520	1.5000
Commentary:		



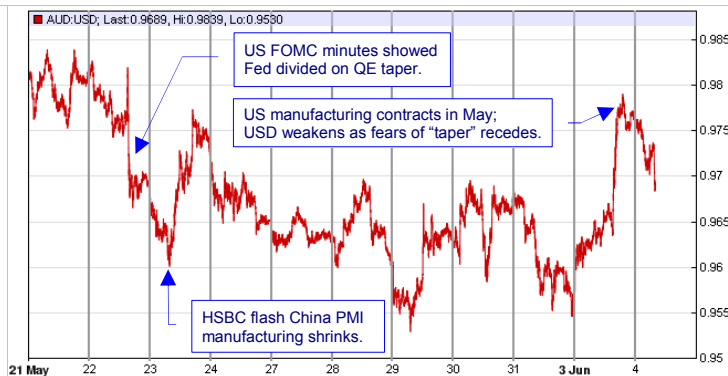
- UK manufacturing growth picks up pace in May: PMI (Mon 03-Jun).
- BoE likely to maintain QE and leave rates unchanged (MPC meeting on Thu 06-Jun).
- UK retail sales rose in May on furniture demand (Tue 04-Jun).

A strong rise in new orders helped Britain's manufacturing sector grow at its fastest pace in over a year last month. The Markit/CIPS Purchasing Managers' Index rose to 51.3 in May from an upwardly revised 50.2 in April, more than a full point higher than the consensus forecast. April's reading was originally below the 50-mark that divides growth from contraction. Factory output contracted 0.3% in the Q1 of 2013 and has been a drag on growth for much of the past year. The survey suggested a broad-based improvement, driven by new orders particularly from the domestic market. Job creation was recorded for the first time in four months and input cost inflation eased, helped by weaker commodity prices. A run down of finished goods stocks suggests output could rise further in the coming months as firms refill warehouses.

UK retail sales rose in May as demand for furniture and flooring increased and temporary discounts lured shoppers, the British Retail Consortium (BRC) said. Sales at stores open at least 12 months, measured by value, increased 1.8% from a year earlier, BRC and KPMG said in an e-mailed report. Total sales rose 3.4%.

The improving outlook may prompt the Bank of England to keep its stimulus target unchanged this week. According to a Bloomberg News survey of economists, the BoE's Monetary Policy Committee will likely keep quantitative easing at £375 billion on June 6, and also keep its key interest rate unchanged at 0.5%.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9850 0.9550  
 Spot Ref: 0.9689  
 Tenor: 2 weeks  
 Date: 04 Jun 2013  
 Time: 14:50 hrs  
 Resistance / Support: 1.0000 0.9520  
 Commentary:



- Inflation still benign at 2.2% annual rate (Mon 03-Jun).
- Government helping to keep rates low: Swan (Tue 04-Jun).
- AAP survey: Economists tip solid Q1 GDP growth (ABS data due on Wed 05-Jun).
- April retail sales recover some of March fall (Mon 03-Jun).
- RBA keeps interest rates on hold at 2.75% (Tue 04-Jun).

The TD Securities/Melbourne Institute Monthly Inflation Gauge increased by 0.2% in May, putting annual inflation at 2.2%. That followed a monthly rise of 0.3% in April and 0.2% in March. The cost of fruit and vegetables, rents, newspaper, books and stationery rose in May, but the rises were offset partially by falls in the costs of automotive fuel, domestic holiday travel and accommodation, and cakes and biscuits. Inflation remains benign, in the bottom half of the RBA's 2%-3% target range.

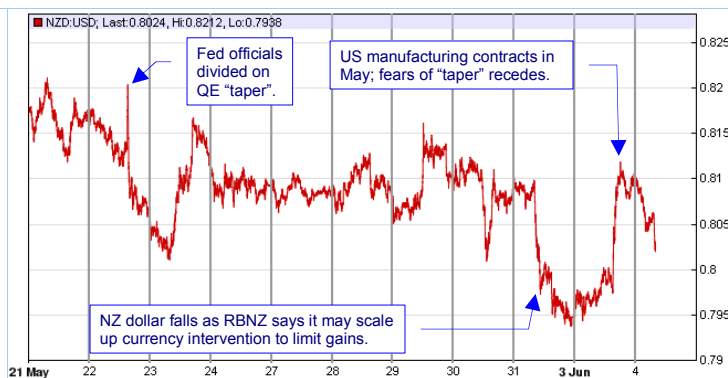
Retail sales rose 0.2% in April, making up only part of a slide in sales the month before. The Bureau of Statistics retail trade figures show food retailing, as well as clothing, footwear and accessories, helped to boost sales in April. However, the 0.2% rise was not enough to offset a 0.4% slide in March, leaving the annual trend pace of growth for retail sales at a modest 3.2%. Total retail spending was A\$21.889 billion in April, up from A\$21.852 billion in March. Economists had forecasted a rise of 0.3% for April.

Federal Treasurer Wayne Swan concedes the economy's shift from reliance on mining investment won't be seamless, but he says the government's responsible approach to fiscal policy will help keep interest rates low. He said the government was supporting the transition by taking a responsible approach to fiscal policy that put jobs and growth first, while giving the RBA room to keep interest rates low and ensuring productivity-enhancing investments for the future would be delivered.

The RBA left interest rates unchanged at 2.75%. The Aussie dollar had fallen more than 7% in May after the last cut on 7-May. Even a raft of disappointing economic data, including subdued inflation, a weak manufacturing sector, lower than expected retail sales and falling job advertisements could not push the RBA to lower rates further.

The Australian economy is expected to have grown 0.8% in Q1; a strong result given the impact of the high Aussie and a fall in investment in the mining sector since the start of the year. But economists say rising exports from the resources sector, as new mines come on line, and strong consumer spending will provide a boost to GDP.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8200 0.7950  
 Spot Ref: 0.8024  
 Tenor: 2 weeks  
 Date: 04 Jun 2013  
 Time: 14:50 hrs  
 Resistance / Support: 0.8200 0.7920  
 Commentary:



- NZ terms of trade rise for first time in 7 quarters on dairy exports (Fri 31-May).
- NZ business confidence gains as farmers shake off drought blues (Fri 31-May).
- RBNZ says it may scale up currency intervention to limit currency gains (Fri 31-May).

NZ's terms of trade rose for the first time in seven quarters, led by higher export prices for dairy products while a strong kiwi dollar helped constrain import prices. The terms of trade, a measure how much imports can be funded with a fixed amount of exports, rose 4.1% in Q1 from three months earlier, according to StatsNZ. Export prices for goods gained 1.9% while import prices fell 2.1%. Export and import volumes were up 0.9% and 2.1% respectively.

NZ business confidence rose for the first time in three months, helped by a rebound in sentiment in the agricultural sector and increasing optimism from construction firms. A net 42% of firms expect general business conditions to improve in the year ahead, according to the ANZ Business Outlook, up from 32% in the April survey. Firms seeing a pickup in their own business activity in the year ahead improved to 34% from 30.3%. Construction remained the most optimistic sector, with a net 54.9% seeing better times ahead for the economy and 51.6% seeing better times within their own business. The services sector wasn't far behind, at 49.4% and 36% respectively.

The kiwi dollar fell after RBNZ governor Graeme Wheeler said he is prepared to keep intervening in foreign exchange markets to limit the rise of the local currency. Wheeler said the currency is significantly overvalued and he is prepared to "scale up" currency intervention should he see opportunities to have a greater influence. RBNZ sold a net A\$256 million last month, its biggest monthly sale in 5 years, having previously signalled it has been intervening in currency markets to take the top off rallies.



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