


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

Wednesday, 02 October 2013

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3650	1.3350
Spot Ref:	1.3516	
Tenor:	2 weeks	
Date:	02 Oct 2013	
Time:	10:20 hrs	
Resistance / Support:	1.3600	1.3390



- Eurozone inflation falls to 3.5-year low in September (Mon 30-Sep).
- German joblessness unexpectedly rises in September (Tue 01-Oct).
- Eurozone manufacturing output falls in September (Tue 01-Oct).
- Germany's retail sales gain 0.5% in August (Mon 30-Sep).
- Eurozone jobless rate unexpectedly falls amid recovery (Tue 01-Oct).
- ECB expected to keep interest rates on hold (due on Wed 02-Oct, 19:45hr SGT).

Eurozone inflation fell faster than expected in September to its lowest since February 2010, signalling that the ECB can maintain its loose monetary policy to help the bloc's recovery. Consumer prices in the 17-nation eurozone edged down to 1.1% in September from 1.3% in August, slightly below market expectations of 1.2%. The September reading is well below the ECB's target of close to but below 2% and the bank expects inflation for all of 2013 to be between 1.4% and 1.6%. September's fall was mainly due to energy prices, which slid 0.9% on the year, while rises in the price of food, alcohol and tobacco products slowed significantly to 2.6% from 3.2% in August.


German retail sales rose in August, indicating that a recovery in Europe's largest economy is gathering pace. Sales adjusted for inflation and seasonal swings increased 0.5% from July, when they fell a revised 0.2%. Sales advanced 0.3% from a year ago. The Bundesbank said the German economy is being boosted by an "extraordinarily good" consumer climate. Economic growth of 0.7% in Q2 and a jobless rate near a two-decade low helped propel Chancellor Angela Merkel for a third term as leader.

German joblessness rose unexpectedly in September on a seasonally adjusted basis, pushing up the unemployment rate slightly although it is still close to its lowest level since reunification more than two decades ago. Labour Office data showed on Tuesday. The number of people out of work increased by 25,000 to 2.975 million on a seasonally adjusted basis in September, compared with expectations for a drop of 5,000. The jobless rate crept up to 6.9% from 6.8% in August.

Eurozone unemployment unexpectedly retreated from a record as the economic recovery gained momentum. The jobless rate fell to a revised 12% in July from a record 12.1% in June, and held at 12% in August against analysts' forecasts for 12.1%. Unemployment among young people fell to 23.7% in August after two months at 23.8%.

Manufacturing output in the eurozone fell in September, according to the latest data from Markit. The manufacturing PMI fell to 51.1 in September, down from 51.4 in August. The figure was in line with an earlier flash estimate. The ECB will hold its rate-setting meeting in Paris on Wednesday and given the backdrop of low inflation rates in the eurozone, it is expected to keep interest rates at a record low and leave them that way for an extended period or possibly deliver another cut if warranted.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6300	1.6000
Spot Ref:	1.6172	
Tenor:	2 weeks	
Date:	02 Oct 2013	
Time:	10:20 hrs	
Resistance / Support:	1.6260	1.5900



- Cameron accelerates Help-to-Buy amid housing-boom concerns (Sun 29-Sep).
- UK manufacturing PMI eases in September from August's 2-year high (Tue 01-Oct).
- Growth once again the top goal for UK firms: poll (Mon 30-Sep).

PM David Cameron defied critics of his government's Help-to-Buy program to aid Britons frozen out of the property market by the need for high deposits, saying the second phase will start this week, 3 months earlier than planned. The plan has drawn fears it may spark a property bubble. The first phase, interest-free loans for buyers of newly built homes, began in April and has already contributed to the strongest housing market since the financial crisis. The second phase will provide government-guaranteed mortgages for buyers with a deposit of 5% of the value of a home costing as much as £600,000. The guarantees are meant to spur £130 billion of mortgage lending.

Big companies in Britain say expansion is their top priority for the first time in 18 months, a survey by professional services firm Deloitte showed Monday, in another sign that the country's economic recovery is on a solid footing. 40% of chief financial officers aim to venture into new markets or introduce new products or services in the next 12 months. 35% of respondents said increasing cash flow was a strong priority, making it the second most popular goal. Cost reduction came third, with 29% mentioning it.

Growth in Britain's manufacturing sector eased slightly in September from a two-year high the month before, due to less robust export orders. The Markit/CIPS Purchasing Managers' Index slipped to 56.7 from August's two-and-a-half year high of 57.1, a slightly weaker reading than the rise to 57.3 economists had predicted in a Reuters poll.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9500 0.9250
 Spot Ref: 0.9373
 Tenor: 2 weeks
 Date: 02 Oct 2013
 Time: 10:20 hrs
 Resistance / Support: 0.9500 0.9250
 Commentary:



- HSBC's China PMI for September lower than flash estimate (Mon 30-Sep).
- RBA leaves interest rates unchanged for October (Tue 01-Oct).
- Australian retail sales increase in August on department stores (Tue 01-Oct).
- Australia increases iron ore earnings on Chinese demand outlook (Wed 02-Oct).

HSBC's final China PMI for September came in at 50.2, substantially lower than the flash reading of 51.2 published a week ago. It was a touch higher than the August figure of 50.1. Though the index expanded for a second consecutive month after hitting an 11-month low last July, many analysts have warned that the much-trumpeted rebound might not continue into next year as China still needs to reform major sectors of the economy and move to a more sustainable growth model.

Australian retail sales advanced faster than economists forecast in August, led by a rebound in spending at department store as interest-rate reductions encouraged consumers. Sales climbed 0.4% to A\$21.9 billion from a month earlier, when they rose 0.1%, the Bureau of Statistics said. Economists expected a 0.3% gain.

The RBA left the cash rate at 2.5% on Tuesday, saying that "Recent information is consistent with global growth running a bit below average this year, with reasonable prospects of a pick-up next year. Commodity prices have declined from their peaks but remain at high levels by historical standards. Inflation remains well contained. Overall, global financial conditions remain very accommodative. Long-term interest rates remain low and there is ample funding available for creditworthy borrowers."

Australia, the largest iron ore shipper, raised its earnings forecast from the export of minerals and energy resources after volumes increased. The value of exports may total A\$203.76 billion in the year started July, the Bureau of Resources & Energy Economics said, compared with A\$197 billion forecast in June and A\$177.4 billion a year ago.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8400 0.8150
 Spot Ref: 0.8225
 Tenor: 2 weeks
 Date: 02 Oct 2013
 Time: 10:20 hrs
 Resistance / Support: 0.8400 0.8200
 Commentary:



- Economy strong but PM Key coy on tax cuts (Mon 30-Sep).
- RBNZ lending restrictions for mortgages kick in (Tue 01-Oct).
- NZ Government unveils state house sale scheme (Tue 01-Oct).
- NZ tourism growth plan launched (Tue 01-Oct).

Prime Minister John Key expects the economy to grow strongly next year but he's playing down the possibility of the government promising any more tax cuts. A Treasury report released on Monday showed last summer's drought was the main factor behind a slowdown in the economy during the June quarter but apart from that there were clear signs of a good recovery. Mr Key says he's been talking to the Reserve Bank and the Treasury and the indications are that there will be "some pretty strong figures" going into next year's election. "They're talking growth of three, three-and-a-half per cent, smaller deficits, unemployment down, the government in surplus," he said.

The NZ Government has unveiled its FirstHome policy aimed at helping buyers earning less than the national average - NZ\$53,000 for one person or NZ\$80,600 for two or more people - into their first home. Under the policy first-home buyers will be gifted the 10% deposit, up to a maximum of NZ\$20,000, and given first crack at state houses to be sold by the Government at market rates. Those buyers will still be entitled to other assistance such as KiwiSaver and Welcome Home Loan subsidies if they are eligible. The first 41 homes - stretched between Otorohanga and Invercargill - will be ready for sale next Monday. Their average market valuation is NZ\$120,000.

Home buyers will need to put down 20% deposit for a new home loan under RBNZ loan-to-value rule changes which take effect 1-Oct. The measures are intended to cool the housing boom. Professor Hargreaves from Massey University says the restrictions will have little impact on markets like Auckland. "Even if some of these first home buyers drop out there'll be other people lining up to buy those properties". Mr Hargreaves says the limit will be felt more strongly in provincial centres.

A five-pronged strategy for growing New Zealand's NZ\$23.4 billion tourism industry has been launched at a summit in Wellington. It started with a new partnership that will make it easier for Chinese visitors to spend their money in NZ. The Tourism Industry Association released its new framework for economic growth within tourism. Under the deal Smartpay's EFTPOS terminals will become one of only a few in NZ to accept UnionPay, which is the most common card used by Chinese tourists.



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