



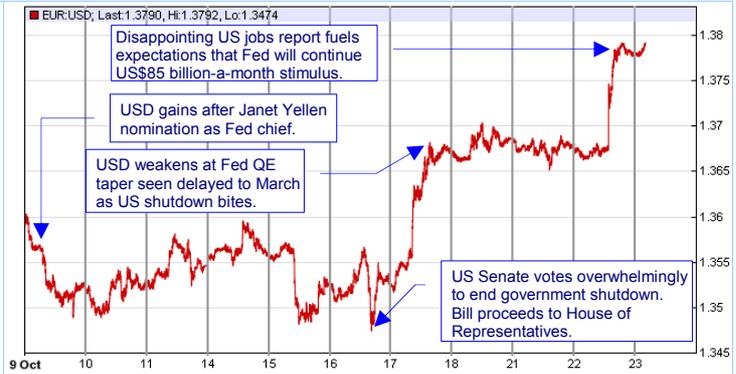
UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 23 October 2013

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3850	1.3500
Spot Ref:	1.3790	
Tenor:	2 weeks	
Date:	23 Oct 2013	
Time:	11:00 hrs	
Resistance / Support:	1.3800	1.3515
Commentary:		



- US government re-opens after 11th-hour deal to end debt crisis (Thu 17-Oct).
- Italy's main unions call strikes over 2014 budget (Mon 21-Oct).
- EU and eurozone government deficit down, debt up in 2012 (Mon 21-Oct).
- US QE taper seen delayed to March as shutdown hurts economy (Fri 18-Oct).
- German PPI widens 0.3% in September, but lower than a year ago (Mon 21-Oct).
- Weak US jobs report fuels expectation of continued QE stimulus (Tue 22-Oct).

The US Congress approved a deal last Wednesday to end a political crisis that partially shut down the government and brought USA to the edge of a debt default. The bill was signed by Obama after midnight. The deal offers only a temporary fix and does not resolve the fundamental issues of spending and deficits that divide both parties. It funds the government until January 15 and raises the debt ceiling until February 7, so Americans face the possibility of another government shutdown early next year.

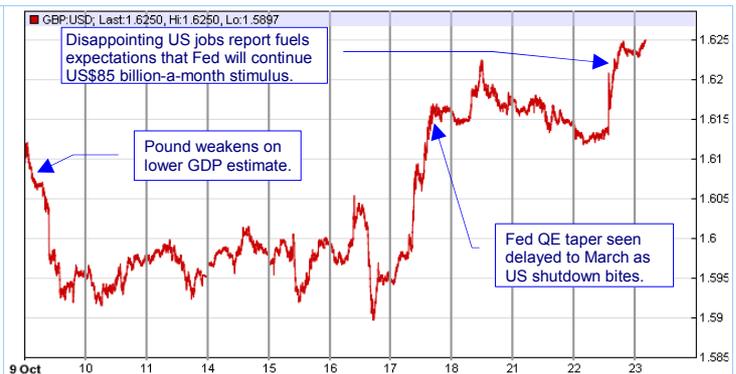
Italy's three main trade union confederations will hold strikes and protests in the next few weeks against the government's 2014 budget plan. The budget has drawn widespread criticism for doing too little to reduce taxes, reverse years of austerity or reform an economy which has been in recession for two years. It aims to lower Italy's budget deficit to 2.5% of GDP in 2014 from a targeted 3% in 2013 and has become a focal point of discontent piling pressure on Enrico Letta's fragile coalition government.

Germany's September PPI rose slightly higher than expected to 0.3% m/m (-0.5% y/y) from -0.1% m/m (-0.5% y/y) in August, reflecting higher prices for heating and diesel fuel and beating expectations for 0.1% m/m. The weak inflation in producer prices is concealing substantial increases in retail prices of consumer goods.

The eurozone government deficit to GDP ratio decreased from 4.2% in 2011 to 3.7% in 2012. The EU28 has also seen a drop from 4.4% to 3.9%. The government debt to GDP ratio has increased in the eurozone, from 87.3% at the end of 2011 to 90.6% at the end of 2012, and in the EU28 from 82.3% to 85.1%.

The US added just 148,000 new jobs in September, a disappointing figure that is attributable at least in part to employers cutting back on hiring before Washington's budget battle. The report fell short of forecasts, but the unemployment rate dipped to 7.2%. The lackluster jobs report fuelled expectations that the Fed will continue its massive stimulus program until March 2014. Janet Yellen has made clear she would prefer not to cut back on the program until there are clearer signs of recovery in the job market.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6350	1.6000
Spot Ref:	1.6250	
Tenor:	2 weeks	
Date:	23 Oct 2013	
Time:	11:00 hrs	
Resistance / Support:	1.6265	1.5910
Commentary:		



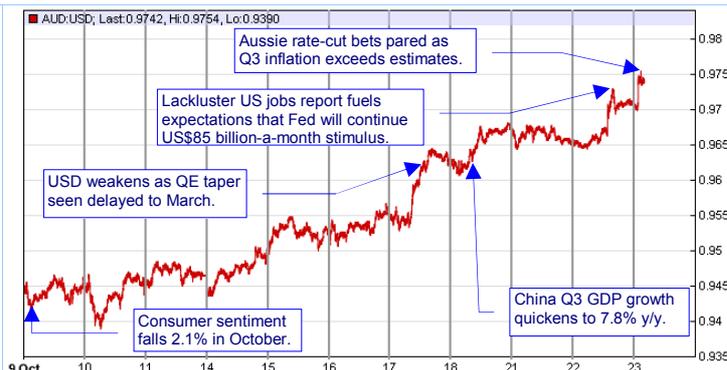
- London house prices leap 10% in just a month; regions to catch up (Mon 21-Oct).
- UK budget deficit narrows as property recovery boosts taxes (Tue 22-Oct).
- UK earmarks £33 billion for infrastructure guarantees (Mon 21-Oct).
- BoE minutes of its last policy decision meeting (due on Wed 23-Oct).

London house prices are said to have soared to a new high this month fuelling fears that the capital is overheating. Rightmove said asking prices in London saw an "unsustainable" 10% month-on-month increase in October, pushing typical asking prices to £544,232, leapfrogging a previous high set in July by more than £28,000. It put much of the increase down to a "frenzy" of activity in parts of prime inner London as overseas investors look for a safe haven to place their cash amid the troubles of the eurozone, which is "leaving the shelves bare". Despite the overall upward march in prices, Rightmove said a bubble "seems a long way off in the majority of regions".

The British government may guarantee £33 billion pounds of infrastructure projects, over half of them in the energy industry. The 40 road, rail and energy projects have been selected as eligible for the government to act as guarantor, the Treasury in London said. Further discussions, assessment and due diligence will now be carried out. Prime Minister David Cameron is seeking to boost investment in Britain's aging infrastructure amid projection that the UK is set to overtake Germany as the European Union's most populous country by 2045. The announcement comes a day after Electricite de France SA said it will build the U.K.'s first nuclear reactors since 1995.

Britain's budget deficit narrowed more than economists forecast in September as the housing-market recovery boosted stamp duty and higher spending lifted value-added tax. Net borrowing excluding temporary support for banks was £11.1 billion compared with £12.1 billion a year earlier, the ONS said in London. The shortfall was less than the £11.3 billion- median forecast in a Bloomberg survey. Tax receipts rose 7%, the most since June, and spending climbed 2.5%.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9850 0.9500
 Spot Ref: 0.9742
 Tenor: 2 weeks
 Date: 23 Oct 2013
 Time: 11:00 hrs
 Resistance / Support: 0.9800 0.9400
 Commentary:



- China Q3 GDP growth quickens to 7.8%, suggesting the worst is behind (Fri 18-Oct).
- Confidence in Australian property market growing: survey (Mon 21-Oct).
- Australia Treasurer says to raise government debt limit to A\$500 billion (Tue 22-Oct).
- Australia Q3 CPI shoots past expectations; rate-cut bets pared (Wed 23-Oct).

China's annual economic growth quickened to 7.8% in Q3 from 7.5% in Q2, the fastest growth this year. Many investors have been concerned about the fragility of China's economic revival, especially after a surprise fall in export growth in September. For the first nine months of the year, the economy grew 7.7% from a year earlier. China is Australia's biggest trading partner and the key export destination for its mining rich industry; the results would likely increase the demand for raw materials from Australia.

Underlying confidence in the Australian property market is growing despite a national survey failing to identify clear evidence of a recovery. The Master Builders' National Survey said increased building activity will not be triggered in the short term despite improvement in some key indicators, with investor confidence shoring up fundamentals in Aussie property. Construction is responsible for 6.9% of Australia's GDP, and employs 1.043 million people, nearly 10% of all employees. The industry is anticipated to expand at 5.31% over the period 2013-2017, driven by growth in the infrastructure market in line with government measures to enhance transport infrastructure.

Australia's new conservative government will introduce legislation to raise its debt ceiling to A\$500 billion from A\$300 billion to head off concerns the country could reach its limit before Christmas, Treasurer Joe Hockey said on Tuesday. In a budget update before September's election, Australia's Treasury forecast the face value of outstanding Australian government securities would reach its A\$300 billion limit by December 2013 before falling back to around A\$290 billion by June 30, 2014. Parliament is expected to hold its first sittings under conservative Prime Minister Tony Abbott in late October, giving the new government up to six weeks to pass the new debt limit.

The Aussie dollar rose against a much weaker US dollar after the release of a disappointing US employment report showing the US economy added 148,000 jobs in September, well below the gain of 180,000 the market was expecting. The lacklustre payrolls data suggests that the Fed is likely to delay tapering until March next year.

Australia's Q3 CPI has come in at 1.2%, up from 0.4% in Q2. Compared to the same quarter a year ago, CPI was up 2.2% in Q3 and 2.4% in Q2. The figure beat market expectations of 0.8% this quarter and 1.8% year-on-year by a significant margin. The largest quarterly price gains were posted by the housing (2.0%) and transport (2.4%) sectors, in line with analyst expectations. With annual price rises within its 2% to 3% target, the RBA is seeking to boost job-intensive industries such as construction as the mining investment boom crests. Investors see an 85% chance the RBA will hold rates through year-end, up from 77% odds yesterday.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8600 0.8300
 Spot Ref: 0.8477
 Tenor: 2 weeks
 Date: 23 Oct 2013
 Time: 11:00 hrs
 Resistance / Support: 0.8560 0.8270
 Commentary:



- NZ aims to save money on building materials as spending set to double (Tue 22-Oct).
- IMF ranks NZ economy as one of the strongest (Tue 22-Oct).

NZ's government is looking for ways to save money on building materials as its annual spend is predicted to more than double for the next five to eight years, driven by the Canterbury rebuild and leaky building remediation. Government agencies are forecast to increase their annual spending on building supplies to NZ\$3.3 billion from a previous base of NZ\$1.5 billion a year, the Ministry of Business, Innovation and Employment said in a discussion document. Canterbury is expected to account for 54%.

The IMF's annual World Economic Outlook ranks New Zealand as one of the strongest growing economies in the world. It's predicting growth of 2.5% for 2014. Finance Minister Bill English says there could be positive spin-offs for pay packets. "It means that people who've waited quite some time to get reasonable wage increases can see a bit of a better prospect that they're going to get those wage increases." Bill English says the economic growth will also mean more jobs around.

The kiwi jumped to its highest in more than five months after weaker than expected jobs growth in the US reinforced the likelihood that the Fed will keep monetary stimulus until March 2014, devaluing the greenback. The data preceded the 16-day US government partial shutdown which is expected to have further weakened the US economy.



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