



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3950	1.3700
Spot Ref:	1.3856	
Tenor:	2 weeks	
Date:	12 Mar 2014	
Time:	14:00 hrs	
Resistance / Support:	1.4027	1.3752

Commentary:

- Eurozone retail sales up; business growth strongest in 2½ years (05-Mar).
- Euro hits 2-month high on ECB inflation outlook and growth forecasts (Thu 06-Mar).
- Eurozone Q4 GDP up 0.3% q/q, EU28 up 0.4% q/q (Wed 05-Mar).
- ECB's Constancio says rates will remain accommodative (Fri 28-Mar).

January retail sales rose a greater than expected 1.3% y/y and the services sector flash PMI was revised up to a final February reading of 52.6. Eurozone private businesses enjoyed their fastest growth rate in over 2½ years last month as the region's service industry expanded quicker than initially thought. Markit's final Eurozone Composite PMI was revised up to 53.3 from an initial flash reading of 52.7. That was the eighth month the index has been above the 50 mark, and beat January's 52.9.

GDP rose by 0.3% in the Eurozone (EA17) and by 0.4% in the EU28 during Q4, compared with Q3, according to second estimates published by Eurostat. In Q3, GDP grew by 0.1% in the Eurozone and by 0.3% in the EU28. Compared with Q4 of the previous year, seasonally adjusted GDP rose by 0.5% in EU17 and by 1.1% in EU28, after -0.3% and +0.2% respectively in the previous quarter. Over the whole year 2013, GDP fell by 0.5% in the Eurozone and rose by 0.1% in the EU28.

The euro's gains came after ECB President Mario Draghi delivered a cautiously positive press conference following the ECB's decision to make no change to its key interest rates. Mr Draghi revealed that the latest projections by economists at the ECB support earlier expectations of a prolonged period of low inflation, to be followed by a gradual upward movement in HICP inflation rates towards levels closer to 2%. Inflation is projected to hit 1.7% by the last quarter of 2016. The ECB also sees growth as being slightly higher than previously thought. It now forecasts annual real GDP growth of 1.2% in 2014, 1.5% in 2015, and 1.8% in 2016.

ECB policymaker Vitor Constancio told investors that they may have missed the message on policy that rates are set to remain accommodative for some time to come. The ECB made its forward guidance more precise at its March meeting and still had ammunition in the form of lower interest rates or quantitative easing if needed, he said.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6750	1.6550
Spot Ref:	1.6623	
Tenor:	2 weeks	
Date:	12 Mar 2014	
Time:	14:00 hrs	
Resistance / Support:	1.6877	1.6564

Commentary:

- UK firms hire at record pace in February as recovery endures - PMI (Wed 05-Mar).
- Sterling struggles as BoE warns about pound's strength (Mon 10-Mar).
- UK interest rates kept at record low (Thu 06-Mar).
- BoE's Carney says UK economy not close to overheating (Tue 11-Mar).

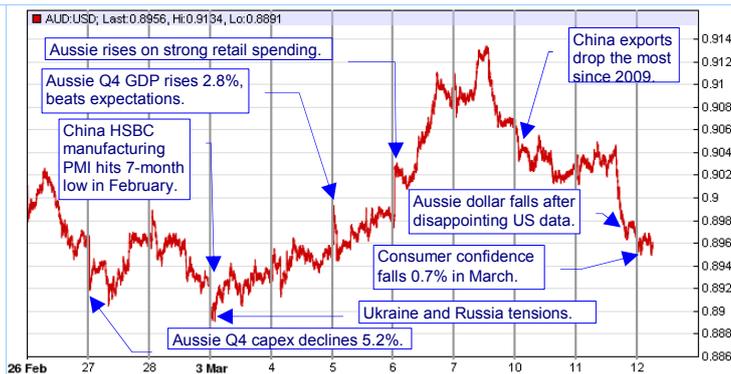
British companies hired staff at the fastest pace in at least 16 years (since January 1998) last month, according to a business survey last Wednesday that showed strong economic growth has carried over into the first quarter. Although Markit/CIPS' services PMI slipped in February to 58.2, its lowest level since June, from 58.3 in January, it still showed robust growth at firms ranging from banks to hairdressers despite bad weather. The readings remained above 50 for 14 straight months. The services sector business expectations index shot up to its highest level since September 2009, and Markit said that greater confidence encouraged companies to hire more staff.

The BoE maintained the official Bank Rate at 0.5%. The programme of asset purchases was also kept steady at £375 billion. It also announced that it would start reinvesting the cashflow from its bond purchases. The outcome was expected, and hence the market reaction was muted. The market will now turn their focus to the quarterly BoE FPC meeting later this month, where there is a good chance that additional macro-prudential policies could be announced.

GBP/USD tumbled to lows of 1.6622 Tuesday as Deputy BoE Governor Bean said that whilst Sterling's current level was fine, any further gains would be unwelcome. He added that the BoE might never sell down its Gilt-edged securities as part of its bond purchase program. Speaking to local businesses in Darlington, Bean said Britain would find it harder to build an export-based recovery if sterling rose any more. The currency exchange rate is not a problem, he said, but anything stronger would delay a rate rise.

Bank of England governor Mark Carney says the economy will move from recovery to expansion this year but insisted interest rate rises will be gradual as Britain continues to face "extraordinary times" for many years. Speaking to lawmakers on Tuesday, Carney said the amount of spare capacity in the economy was probably slightly more than 1.5% of GDP, suggesting the BoE can hold off on raising interest rates for longer. Markets have pointed to spring 2015 as a potential time for the first rate hike.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9100 0.8850
 Spot Ref: 0.8956
 Tenor: 2 weeks
 Date: 12 Mar 2014
 Time: 14:00 hrs
 Resistance / Support: 0.9180 0.8900
 Commentary:



- Aussie dollar rises on strong retail spending and trade balance data (Thu 06-Mar).
- Australia business conditions weaken in February (Tue 11-Mar).
- Australian consumer confidence falls 0.7% in March: Westpac (Wed 12-Mar).
- Unexpected slump in China's exports rattles investors worldwide (Sat 08-Mar).
- Aussie dollar falls after disappointing US data (Tue 11-Mar).

Retail spending jumped 1.2% in January, three times the 0.4% rise economists had expected. International trade figures showed a trade surplus of A\$1.433 billion in January, following a surplus of A\$591 million in December, which was revised up from A\$468 million. Economists had expected a deficit of A\$100 million in January.

Over the weekend, Chinese trade data showed an 18.1% year-on-year drop in exports in February, compared with an expected gain of 7.5%. With imports growing at 10%, China's trade balance recorded a US\$23 billion deficit, reversing from a US\$31.9 billion surplus in January. China's CPI rose 2% February from a year earlier, the smallest gain in 13 months, data showed Sunday. PPI fell 2%, the most since July last year. The inflation and PPI numbers signal a lack of demand from consumers and industries, while the export number is way below expectations even after discounting the Chinese New Year effect, so investors were rattled and concerned.

NAB's survey of Australian business conditions pulled back sharply in February from the three-year highs touched the previous month, though firms surveyed remained relatively upbeat on the outlook for the economy. The report's index of business conditions dropped 5 points to stand at 0 in February, with the measure of employment off 6 points at -6. Sales and profits also retreated but remained positive for the month. The sharpest reversal came in manufacturing, perhaps no surprise given constant reports of job cutting and closures. The main measure of business confidence fell 2 points to stand at +7, though that was still above its long-run average.

The Australian dollar has dropped to a one-week low after weak US wholesale sales data gave traders another excuse to sell the currency. The data added to negative market sentiment brought about by ongoing tensions between Ukraine and Russia and concerns about a slowdown in Chinese economic growth.

Australian consumer confidence fell in March, extending its decline from a post-election peak in November, as consumers grew more pessimistic about the economic outlook due to rising unemployment. A Westpac Banking Corp./Melbourne Institute index of consumer sentiment fell 0.7% in March from February to 99.5 points, below the 100-point level that means optimists outnumber pessimists. Consumer sentiment has now fallen to its lowest point since May 2013.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8600 0.8350
 Spot Ref: 0.8477
 Tenor: 2 weeks
 Date: 12 Mar 2014
 Time: 14:00 hrs
 Resistance / Support: 0.8647 0.8349
 Commentary:



- NZ house prices up in February but sales fall 7.6% on high-debt rules (Tue 11-Mar).
- NZ spending on credit, debit cards rises in February (Tue 11-Mar).
- Kiwi gains ahead of RBNZ meeting seen as start of tightening cycle (Tue 11-Mar).
- RBNZ Official Cash Rate announcement (due on Thu 13-Mar, 04:00hrs SGT).

New Zealand house prices rose in February reversing the falls of December and January. Record median prices were recorded in Waikato/Bay of Plenty, Hawkes Bay and Canterbury/Westland. Property sales fell 7.6% in February from a year earlier, which may indicate restrictions on high-debt lending are hindering first-home buyers. Some 6,125 properties were sold by real estate agents in February, down from 6,632 the same month last year, REINZ said in a statement.

New Zealanders spent more on their credit and debit cards in February, fuelled by spending on hospitality, while durables and apparel rebounded from declines in January. The value of electronic card spending on retail rose 0.9% to a seasonally adjusted NZ\$4.58 billion in February. Core retailing, which excludes spending on fuel and auto-related items, gained 1.1% to NZ\$3.7 billion. On an unadjusted basis, total spending on electronic cards rose 5.8% to NZ\$5.72 billion from the same month a year earlier.

The kiwi dollar gained strength on expectations the RBNZ will hike the official cash rate at this Thursday's policy review, kicking off a prolonged tightening cycle. Traders have lifted bets on a rate hike on Thursday, pricing in a 100% chance RBNZ governor Graeme Wheeler will raise the OCR, according to the Overnight Index Swap curve.



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