



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3700	1.3550
Spot Ref:	1.3605	
Tenor:	2 weeks	
Date:	08 Jul 2014	
Time:	11:30 hrs	
Resistance / Support:	1.3702	1.3540

Commentary:

- ECB maintains policy; cuts down on meetings to every 6 weeks (Thu 03-Jul).
- German manufacturing orders drop more than expected (Fri 04-Jul).
- Eurozone Sentix investor confidence index shows surprise rise in July (Mon 07-Jul).
- Strong US jobs growth, unemployment rate drops to 6.1% (Thu 03-Jul).
- German industrial production falls by 1.8% in May (Mon 07-Jul).

The ECB kept interest rates unchanged with the main refinancing rate at a record low of 0.15%. The deposit rate stayed at -0.1% and the marginal lending rate at 0.4%. At his regular post-decision press conference, President Draghi also gave further details on the specific modalities for the targeted longer-term refinancing operations. Draghi emphasized that banks tapping the cheap loans must use them to lend or else be forced to pay the money back. Guidance remains that the September and December 2014 operations should amount to up to €400 billion. From next year, monetary policy will be set every 6 weeks instead of every month. The ECB will also begin publishing minutes of its policy meetings. Draghi said that the new timetable for meetings was not a sign that the bank's job in getting the eurozone back on track was done.

US non-farm payrolls increased by 288,000 jobs in June and the unemployment rate fell to 6.1%. US employment has grown at more than 200,000 jobs in each of the last five months, the first such string of growth since the late 1990s. The US dollar rose and global equity markets advanced on Thursday, with stocks setting record highs on a surge in US jobs growth that provided a clear sign the economic growth is faster than expected, perhaps as much as 4% in the second quarter.

German industrial production declined in May at the sharpest rate since April 2012, weighed by a fall in manufacturing and construction output. On an adjusted monthly basis, the industrial production index dropped 1.8%, well below expectations of a flat rate. April data was also revised lower, to a decline of 0.3% from a previously released rise of 0.2%. The production figures follow manufacturing orders data last Friday, which showed orders falling 1.7% on the month, with a drop in both domestic and foreign orders. Manufacturing orders are often a gauge of future industrial output. May manufacturing production was down 1.6% from April, while construction output fell 4.9%.

Sentiment in the eurozone showed a surprise improvement in July with investor optimism boosted by the ECB's growth measures and improved expectations for the global economy. The Sentix index tracking morale among investors in the eurozone hit 10.1 in July versus 8.5 in June, rising after two consecutive monthly falls, and higher than expectations for a fall to 8.0. A sub-index of expectations for the economy in the second half picked up for the first time in four months though it was still relatively weak. It rose to 18.3 from 17.0 in June, which was the weakest since August 2013. The sub-index on the current economic situation in the eurozone rose to 2.3 from 0.3 last month.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.7250	1.7000
Spot Ref:	1.7134	
Tenor:	2 weeks	
Date:	08 Jul 2014	
Time:	11:30 hrs	
Resistance / Support:	1.7212	1.7002

Commentary:

- UK services sector growth slows in June, but Q2 prospects still bright (Thu 03-Jul).
- Market attention on BoE monetary policy stance (due on Thu 10-Jul, 19:00hrs SGT).
- World Cup lifts UK consumer spending growth to 4-year high in Q2 (Mon 07-Jul).

Growth in Britain's dominant services industry slowed more than expected in June, but the economy as a whole appears to have expanded robustly in Q2. The services PMI dropped to a 3-month low of 57.7 after hitting its highest so far this year in May. Economists said the numbers remained well above long-run averages and could point to a pick-up in growth in Q2. The data comes after strong manufacturing and construction surveys last week reinforced bets that the BoE will raise interest rates in 2014.

British consumer spending grew at its fastest year-on-year pace in four years in Q2 as soccer fans bought more food and drinks in supermarkets and pubs in June during the World Cup. The Visa Europe UK Expenditure Index, which takes card spending data, indicated that consumer spending increased for the ninth consecutive month in June, up 0.4% from May and 0.6% compared to June 2013. Although the year-on-year growth in June was slightly slower than a 1% increase in May, June's increase was from a strong base the year before: June 2013 had seen a 2% increase in expenditure, which at the time was the fastest growth since October 2010.

The BoE will decide on its monetary policy stance on Thursday (10-Jul) and while the BoE is unlikely to change its monetary policy stance in July, attention will be paid to any adjustments to BoE's forward guidance on interest rate normalization.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9550 0.9300
 Spot Ref: 0.9389
 Tenor: 2 weeks
 Date: 08 Jul 2014
 Time: 11:30 hrs
 Resistance / Support: 0.9535 0.9292
 Commentary:



- Australia retail spending falls for 2nd month after federal budget (Thu 03-Jul).
- Australian construction industry picks up (Mon 07-Jul).
- Building approvals jump more than expected (Thu 03-Jul).
- Australian business conditions reach highest since January: NAB (Tue 08-Jul).

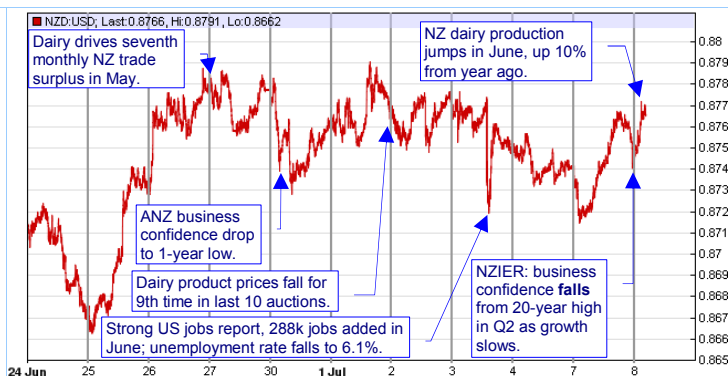
Australian retail spending has fallen for the second month in a row, as spending cuts in the federal budget dampen consumer confidence. Retail trade was down 0.5% in May, following a 0.1% fall in April, the ABS said last Thursday. The continuing weakness in retail spending growth will mean that there is a risk that economic growth for the remainder of 2014 won't be as strong as it was in Q1 of the year.

The Australian dollar has dropped below 94 US cents after RBA governor Glenn Stevens said the currency was overvalued during a speech in Tasmania. Mr Stevens said low interest rates had been having their intended impact on the economy but suggested that the RBA retained scope to cut again if it needed to. He said the Australian dollar was "overvalued, and not by just a few cents". His frank comments on the currency drove the Australian dollar lower.

Australia's construction industry has grown for the first time this year, as house building picks up the slack from dwindling mining construction. Housing construction and a pick up in engineering construction driven by local council and infrastructure projects helped the industry grow for the first time in six months, the Australian Industry Group said on Monday. The Ai Group/Housing Industry Association Performance of Construction Index rose 5.1 points to 51.8 in June.

Business confidence edged higher in June, undeterred by the federal government's tough May budget, while business conditions reached their highest point since January. The National Australia Bank monthly business survey found conditions entered positive territory in June, printing at two points, compared with a read of minus one point in May and zero points in April. Business confidence has remained resilient for the better part of a year despite below average business conditions.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8850 0.8650
 Spot Ref: 0.8766
 Tenor: 2 weeks
 Date: 08 Jul 2014
 Time: 11:30 hrs
 Resistance / Support: 0.8817 0.8688
 Commentary:



- New Zealand dollar falls on US rate hike speculation (Thu 03-Jul).
- NZ business confidence falls from 20-year high in Q2 as growth slows (Tue 08-Jul).
- NZ property values heat up in Q2, driven by Auckland, Christchurch (Mon 07-Jul).
- Dairy production jumps in June, up 10% from year ago (Tue 08-Jul).

The US dollar strengthened after US Labour Department figures on Thursday showed 288,000 jobs were added in June, exceeding the 215,000 the market was expecting, while unemployment dropped to 6.1% from 6.3% in May. The kiwi dollar fell on speculation the Federal Reserve will move to hike interest rates sooner than expected.

New Zealand property values grew at a faster pace in the June quarter as the country's two biggest cities continued to underpin the market. Values rose 2.1% in the three months ended June, accelerating from a 0.7% three-monthly pace in May, according to state valuer Quotable Value. On an annual basis, the pace of property value gains continued to slow, rising at an 8% annual pace in June, and compared to an 8.2% in May. Values are still 15% above the previous peak of late 2007. The RBNZ introduced loan-to-value mortgage lending restrictions on 1-Oct last year on concern rapidly accelerating house prices in Auckland and Christchurch may lead to an asset bubble and cause financial instability. Property value growth had slowed earlier this year, and RBNZ has hiked interest rates three times to cool the economy as inflation accelerates.

NZ business confidence declined from a 20-year high in Q2 as economic growth moderates. A net 33% of businesses were optimistic in Q2, seasonally adjusted, from a net 51% in Q1, according to NZIER's Quarterly Survey of Business Opinion. The kiwi dollar dipped to 87.38 US cents from 87.49 cents immediately before the release. The survey showed a net 31% of firms expect improved economic conditions in Q3, down from a net 35% in the previous quarter, while a net 15% experienced a pick up in activity in Q2, down from 24% in Q1. The survey is consistent with growth moderating from strong levels, with annual GDP moderating to 2.8% in Q2 from 3.8% in Q1.

Dairy production was higher than usual in June, with Fonterra collecting 9 million kilograms of milk-solids, 10% more than in June last year.



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