



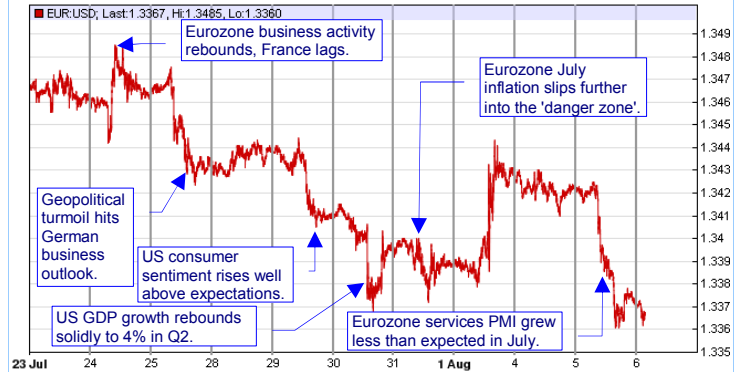
UOB Personal Financial Services  
Deposits, Investments & Insurance Strategy  
Research & Product Advisory

Wednesday, 06 August 2014

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3450	1.3300
Spot Ref:	1.3367	
Tenor:	2 weeks	
Date:	06 Aug 2014	
Time:	10:20 hrs	
Resistance / Support:	1.3453	1.3319
Commentary:		



- Eurozone July inflation slips further into the 'danger zone' (Thu 31-Jul).
- Eurozone services PMI grew less than expected in July (Tue 05-Aug).
- Eurozone factory growth eases in July as inflation fades away (Fri 01-Aug).
- Eurozone June retail sales show strongest annual rise in 7 years (Tue 05-Aug).

Eurozone inflation has fallen to its lowest level since the height of the financial crisis, sliding further into what the ECB has described as a "danger zone" where inflation below 1% poses a risk of deflation. Prices rose in the Eurozone by 0.4% in July, from 0.5% in June, remaining below 1% for the last 10 months. Core inflation which excludes food and fuel costs was unchanged for July at 0.8%. Separately, unemployment in the region fell slightly to 11.5% in June compared to 11.6% in May.

Eurozone manufacturing growth failed to accelerate as expected last month despite factories barely raising prices, as growing tensions in Ukraine weighed on sentiment. Markit's final July manufacturing PMI came in at 51.8 matching June's reading but below an earlier flash estimate of 51.9. With inflationary pressure evaporating and factory activity shrinking faster in France, the region's second-biggest economy, the data will make grim reading for the ECB ahead of its monetary policy meeting on Aug. 7.

Markit on Tuesday said its composite PMI -- which measures activity across both the manufacturing and services sectors -- rose to 53.8 from 52.8 in June, a lower reading than the initial estimate of 54.0 but still a three-month high. The PMI for the services sector rose to 54.2 from 52.8.

Eurozone retail sales rose at the fastest rate in seven years in June - and twice as fast as expected, thanks to strong sales of both food and non-food products. Compared with the same period last year, the volume of retail sales in the Eurozone surged by 2.4% after a downwardly revised 0.6% rise in May, posting its strongest growth since March 2007. Retail sales, a proxy for household demand, rose in line with expectations by 0.4% on the month in June after an upwardly revised 0.3% rise in May.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.7000	1.6750
Spot Ref:	1.6873	
Tenor:	2 weeks	
Date:	06 Aug 2014	
Time:	10:20 hrs	
Resistance / Support:	1.6961	1.6785
Commentary:		



- British manufacturing growth in July slowest in a year (Fri 01-Aug).
- UK house building grows at fastest rate since 2003 - PMI (Mon 04-Aug).
- UK construction PMI dips to 62.4 in July from 62.6; 62.0 expected (Mon 04-Aug).
- UK economy expected to grow 3% in 2014 - NIESR (Tue 05-Aug).

British manufacturing grew at its slowest pace in a year in July, possibly reflecting the prospect of higher interest rates at home and the impact of conflict in Ukraine, a Markit/CIPS survey showed on Friday. Its UK Manufacturing PMI fell to 55.4 from 57.2 in June, the lowest level since July 2013 and well below the lowest forecast. Growth remained strong by historical standards and the slowdown was in line with the BoE's view that Britain's strong recovery will slow in coming months.

UK construction sector activity expanded at a faster rate than expected in July, fuelling optimism over the country's economic outlook, Markit/CIPS data showed on Monday. The UK construction PMI declined to a seasonally adjusted 62.4 in July from a reading of 62.6 in June. Economists had expected the index to fall to 62.0 in July.

House-building was the strongest performing category in the PMI as construction activity grew for the 15th successive month, with hiring accelerating at the fastest rate since at least April 1997 when the survey began. Markit said there was strong demand for construction materials in July. The BoE has said that a shortage of new homes is the underlying reason for Britain's fast-rising house prices, which have increased by 10% in the past year, and almost double that in London, according to some surveys.

Mounting evidence that Britain's economic recovery is becoming more entrenched prompted a leading think tank to bump up its 2014 economic growth forecast for the country on Tuesday. The NIESR said it expected the British economy to grow 3.0% this year, up from 2.9% in a previous forecast. But while the economy finally outgrew its 2008 pre-crisis peak level in Q2, NIESR said it could take until 2017 till output per person recovers.

While BOE Governor Mark Carney has put slack and wages at the centre of the debate on borrowing costs, saying there's room for more spare capacity to be absorbed before interest rates increase, he's also said the time to normalize rates is "edging closer." Officials will leave the key rate at 0.5% on Aug. 7, according to Bloomberg News.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9400 0.9200  
 Spot Ref: 0.9298  
 Tenor: 2 weeks  
 Date: 06 Aug 2014  
 Time: 10:20 hrs  
 Resistance / Support: 0.9412 0.9216  
 Commentary:



- Greenback gains as US GDP growth rebounds solidly to 4% in Q2 (Wed 30-Jul).
- China's manufacturing activity surges in July (Fri 01-Aug).
- China's July HSBC services PMI falls to lowest in nearly 9 years (Tue 05-Aug).
- RBA wary of sluggish growth, keeps rates on hold at 2.5% (Tue 05-Aug).

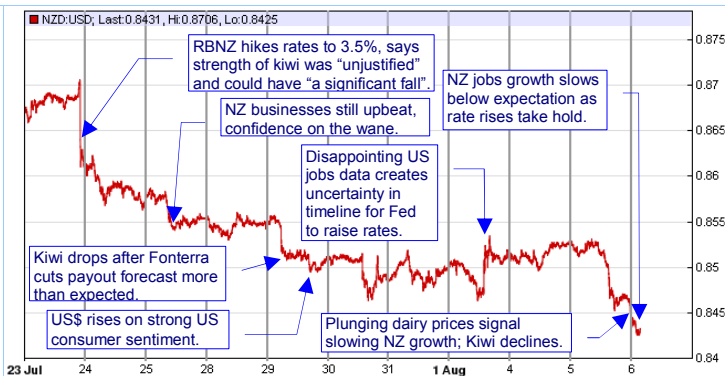
The US economy rebounded strongly by 4.0% q/q saar in Q2, from a revised 2.1% contraction in Q1, led by gains in consumer spending, gross private domestic investment and exports. However, the strong growth was supported by a surge in private inventories by US\$93.4 billion annualised pace after a US\$35.2 billion gain in Q1, raising concerns that companies will keep a tighter control on inventory in Q3 and thus reducing growth. The US dollar gained strength against the major currencies.

Chinese manufacturing activity increased sharply in July, rising at its fastest pace in more than two years as the economy shows signs of increasing momentum. The official PMI hit 51.7 in July, the National Bureau of Statistics said, up from 51.0 in June, and the best since 53.3 in April 2012.

China's services sector grew at its slowest pace in nearly 9 years in July as new business slowed to a trickle, indicating a recovery in the broader economy is still fragile. The services PMI compiled by HSBC/Markit fell to 50.0 in July from 15-month high of 53.1 in June, the lowest reading since November 2005 when the data collection began. In a sign that companies have grown more reluctant to spend, a sub-index measuring new business growth hit a 68-month low of 50.3 in July.

RBA on Tuesday held interest rates at a record low of 2.5%, marking a year since it last loosened monetary policy as it seeks to boost non-mining growth. The RBA flagged "a period of stability" in the cash rate as it cautioned that economic growth would likely be "a little below trend" in the year ahead. In a statement it also said investment spending in the resources sector was starting to decline "significantly" and noted the strength in the local currency.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8550 0.8350  
 Spot Ref: 0.8431  
 Tenor: 2 weeks  
 Date: 06 Aug 2014  
 Time: 10:20 hrs  
 Resistance / Support: 0.8562 0.8404  
 Commentary:



- Disappointing US jobs data creates uncertainty for Fed to raise rates (Fri 01-Aug).
- Plunging dairy prices signal slowing NZ growth; Kiwi declines (Wed 06-Aug).
- NZ jobless rate falls to five-year low as Canterbury fuels growth (Wed 06-Aug).
- NZ jobs growth slows below expectation as rate rises take hold (Wed 06-Aug).

The unexpected increase in the US jobless rate, which ticked up to 6.2% in July from 6.1%, and the news that 209,000 jobs were added to the US economy in July – fewer than the 230,000 forecast – left uncertainty about the potential timing of a rate rise from the Federal Reserve. The US currency made its biggest one-day drop in a month after the disappointing US employment data.

Plunging dairy prices may squeeze NZ farm incomes and curb spending, adding to signs that economic growth will slow, economists said. Whole milk powder prices slumped 11.5% in an overnight auction to US\$2,725 a metric ton, a two-year low, GlobalDairyTrade said. That extended the decline to 46% from a peak in February. Prices for dairy, NZ's biggest export, are falling amid rising global production and waning demand from China, which built up inventories earlier in the year. NZ's Fonterra, the world's biggest dairy exporter, last week cut its forecast payment to milk suppliers to NZ\$6/kgMS from an initial estimate of NZ\$7, and down from NZ\$8.40 last season.

NZ's unemployment rate fell to a five-year low in the June quarter as employment growth in Canterbury fuelled the labour market. The kiwi dollar fell after the figures were released. The unemployment rate fell to 5.6% in Q2, from a revised 5.9% in Q1, according to StatsNZ's household labour force survey. That's the lowest rate since March 2009, and below the 5.8% forecast by economists. The participation rate fell 0.3% to 68.9%, below expectations, as the workforce remained static and the population grew.

Employment grew 0.4% in Q2, below the 0.7% pace predicted by economists and was up 3.7% on an annual basis. A busy construction sector continued to drive jobs growth, particularly in Canterbury where the country's second-biggest city, Christchurch, is being rebuilt. Canterbury's unemployment rate of 2.8% was the lowest across all regions, and employment growth was largely in construction and retail and accommodation service.



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