



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3150	1.2850
Spot Ref:	1.2940	
Tenor:	2 weeks	
Date:	10 Sep 2014	
Time:	14:45 hrs	
Resistance / Support:	1.3112	1.2821
Commentary:		

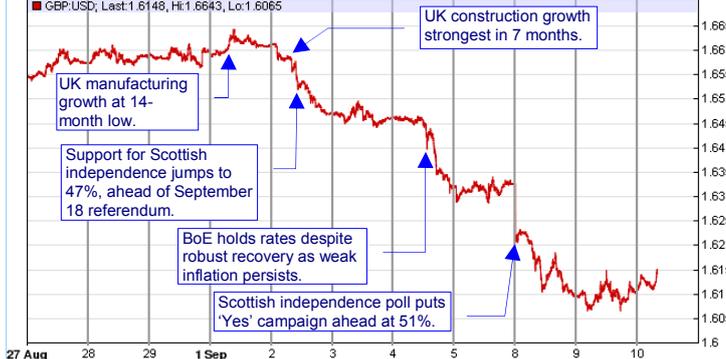
- German factory orders surged in July, in sign of returning growth (Thu 04-Sep).
- ECB signals €700 billion of stimulus to buy ABS and covered bonds (Thu 04-Sep).
- ECB unexpectedly cuts interest rates by 0.10% as outlook darkens (Thu 04-Sep).
- EU delays enforcing new Russia sanctions, eyeing shaky ceasefire (Tue 09-Sep).

German factory orders surged the most in more than one year in July after weak demand in Q2 contributed to an economic contraction. Orders, adjusted for seasonal swings and inflation, rose 4.6% from June, when they slid a revised 2.7%. That's the biggest increase since June 2013 and exceeds the 1.5% estimate from Bloomberg.

The ECB unexpectedly cut interest rates to spur economic growth and stave off the threat of deflation. The ECB's 24-member Governing Council reduced all three of its main interest rates by 10 basis points. The benchmark rate was lowered to 0.05% and the deposit rate is now **minus** 0.2%. The rate cuts come after GDP in the eurozone unexpectedly stagnated in Q2 as the three biggest economies failed to grow. Germany's economy shrank 0.2%, its first contraction since the start of 2013.

The ECB announced its plan to launch its own variant of QE with ABS and covered bond purchases of an unspecified size. ECB downgraded GDP growth for 2014 to 0.9% and 2015 to 1.6% (from 1% and 1.7% respectively). Inflation is seen at 0.6% this year instead of 0.7% previously while the inflation outlook for 2015 is maintained at 1.1%, both just a fraction of the ECB's 2% target and good reason enough for Draghi to drop the long-standing phrase that risks to the inflation outlook were "broadly balanced". Draghi pledged to "significantly steer" the ECB's balance sheet back to €2.7 trillion of early 2012 from €2 trillion, so the new programmes have a price tag of €700 billion.

The EU28 governments will meet in Brussels today to consider pulling the trigger on tougher Russian sanctions as the bloc weighs the viability of Putin's truce in Ukraine. This follows the EU's decision this week to put on hold for at least a "few days" a new package of economic penalties against Russia over its involvement in Ukraine crisis.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6350	1.5950
Spot Ref:	1.6148	
Tenor:	2 weeks	
Date:	10 Sep 2014	
Time:	14:45 hrs	
Resistance / Support:	1.6302	1.5914
Commentary:		

- CBI forecasts slowing growth for UK economy (Thu 04-Sep).
- Scottish independence poll puts 'Yes' campaign ahead at 51% (Sun 07-Sep).
- BoE holds rates despite robust recovery as weak inflation persists (Thu 04-Sep).
- UK data - July trade deficit, IP & manufacturing, NIESR GDP (Tue 09-Sep).

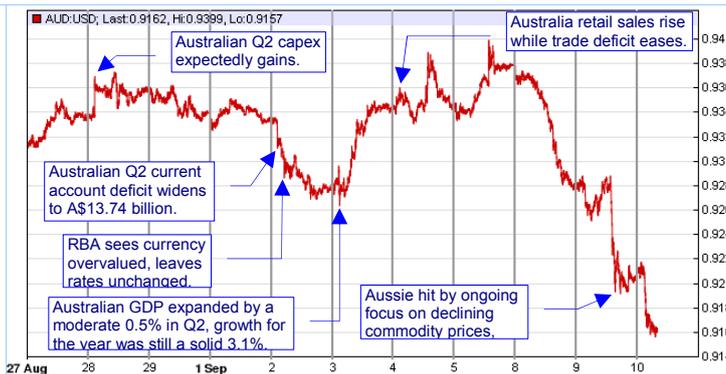
Economic growth will slow in the second half of the year as the effect of improved confidence and better credit conditions starts to wear off, the CBI has predicted. The business group said the recovery was "on solid ground" but expected expansion to ease to 0.7% in Q3 and 0.6% in Q4, after growth of 0.8% in each of Q1 and Q2. It also warned of political risks including the possibility of a Scottish yes vote on independence – described as a "one-way ticket to uncertainty".

The BoE kept interest rates on hold last Thursday as Britain's economy continued to thrive, although risks to the recovery both at home and abroad remain. With economic growth set to reach more than 3% this year, economists polled by Reuters expect the BoE to raise interest rates in early 2015. The BoE's MPC left its Bank Rate at 0.5%, where it has been since the depths of the financial crisis more than five years ago. Investors will have to wait till 17 September to find out if any more policymakers voted in favour of raising interest rates, after two of the nine MPC members broke ranks in August. UK data has been broadly dovish with softer wages, inflation and manufacturing PMI, and there have been increased uncertainty over the Scottish referendum on 18 September. Inflation slowed to 1.6% in July, its seventh month below the 2% target.

Scotland's nationalists overtook opponents of independence in an opinion poll for the first time, sparking a government promise of more powers for the Scottish parliament before the country votes on whether to break up the 307-year-old UK. A YouGov survey for the UK Sunday Times showed **Yes** voters increased to 51%, while the **No** side dropped to 49% when undecided respondents were excluded. In a speech to representatives of trade unions on Tuesday, BoE Governor Mark Carney gave the clearest indication that the BoE will hike rates in Spring 2015 although he also repeated his assurance that a rise in the benchmark rate will be "gradual and limited".

UK's July trade deficit worsened to £3.348 billion from £2.459 billion (expected £2.3 billion). UK July IP and manufacturing production was stronger than expected at 0.5%/m/m (1.7%/y/y) and 0.3%/m/m (2.2%/y/y) from 0.3%/m/m (1.2%/y/y) and 0.33%/m/m (1.9%/y/y). The August UK NIESR GDP grew by 0.6% (from a revised 0.5% in July).

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9350 0.9050
 Spot Ref: 0.9162
 Tenor: 2 weeks
 Date: 10 Sep 2014
 Time: 14:45 hrs
 Resistance / Support: 0.9328 0.9025
 Commentary:



- Australia retail sales rise 0.4% in July, up 5.8% on-year (Thu 04-Sep).
- Aussie slide continues as business confidence softens (Tue 09-Sep).
- Goldman calls end to iron age after 'dramatic' drop in ore price (Wed 10-Sep).

- Trade deficit narrows to A\$1.36 billion, even as export prices fall (Thu 04-Sep).
- Budget again weighs on consumer confidence (Wed 10-Sep).
- ABS releases Australia employment data (due on Thu 11-Sep, 09:30hrs SGT).

ABS showed retail sales rose 0.4% in July to a record A\$23.3 billion. That built on a 0.6% increase in June and marked the best two months so far this year. That was a welcome step-up from the previous few months when consumer caution over an unpopular government budget combined with mild autumn weather to knock sales flat. The improvement is important as the A\$270 billion retail sector accounts for 17% of Australia's A\$1.6 trillion in annual GDP and is the second-biggest employer, providing 10% of all jobs. It suggests household spending started the current quarter on firmer footing and augured well for faster economic growth.

While Australia recorded its fourth straight deficit in July, the imbalance narrowed by 13% to A\$1.36 billion. That result beat expectations of a deficit that would be roughly as bad as, and perhaps a little worse than, June's A\$1.56 billion number. The slightly improved result was driven by a 1% increase in exports, while imports held steady. An 8% rise in meat exports helped boost the data, while metal ores and minerals were also up 4% adding A\$249 million more in July than they did in June. Tourism also added to exports, with foreign visitors spending an estimated 1% (A\$20 million) more in Australia during July than they did in June.

The Aussie lost ground in response to a weak showing from NAB Business Confidence, which dropped to 8 points in August compared to 11 points in July. The lower business confidence in Australia's economy could translate into decreased spending and hiring. Australian home loans posted a weak gain of 0.3%, below a 1.1% estimate.

Concerns about the federal budget are back and weighing on consumer confidence. The Westpac Melbourne Institute Index of Consumer Sentiment fell by 4.5 points in September to 94 points. The index has stayed below 100 points for the past six months. Westpac chief economist Bill Evans said the outcome was a surprise after the recovery in the past three months. Mr Evans said the other major issues for consumers were economic conditions, employment and interest rates.

Iron ore declined sooner than expected this year as supplies exceeded demand and prices are unlikely to recover, according to a Goldman Sachs report today entitled: "The end of the Iron Age", which said 2014 will mark the end of a so-called iron age. This year "is the inflection point where new production capacity finally catches up with demand growth, and profit margins begin their reversion to the historical mean". The 2016 forecast was cut to US\$79 a metric ton from US\$82 and the 2017 outlook was reduced to US\$78 from US\$85, with the forecast for prices to average US\$80 next year. The Aussie was hit by the ongoing focus on declining commodity prices.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8400 0.8150
 Spot Ref: 0.8239
 Tenor: 2 weeks
 Date: 10 Sep 2014
 Time: 14:45 hrs
 Resistance / Support: 0.8373 0.8190
 Commentary:



- NZ's English sees further kiwi dollar decline as US recovers (Fri 05-Sep).
- RBNZ expected to keep interest rates at 3.5% (due on Thu 11-Sep, 05:00hrs SGT).

- Bill English to reveal income tax cuts alongside debt reduction plans (Fri 05-Sep).

NZ Finance Minister Bill English expects the nation's currency to continue to fall against the greenback as the US economy recovers and the domestic inflation outlook eases pressure on the RBNZ to raise interest rates. "Looking out ahead, you'd expect it to soften against the US dollar. You can see the markets gearing up for a shift in US interest rates eventually", English said in an interview, adding that NZ faces a period of "calmer" economic growth and "moderate" interest rates.

English reiterated he will announce a proposal for "moderate" income tax cuts this week, which will include "context and priorities, not dollar amounts". The proposal will sit alongside plans for further debt reduction and a tight rein on new spending, and will highlight the difference with opposition parties, which are proposing more taxes and increased spending, he said. The NZ General Election will be held on Saturday 20 September 2014, and the current government will be seeking a third term.



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