



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2650	1.2350
Spot Ref:	1.2524	
Tenor:	2 weeks	
Date:	19 Nov 2014	
Time:	10:15 hrs	
Resistance / Support:	1.2609	1.2306
Commentary:		



- Eurozone Q3 GDP growth above forecast, helped by Germany, France (Fri 14-Nov).
- German growth 'sluggish' until year-end: Bundesbank (Mon 17-Nov).
- Eurozone exports rebound in September, led by Germany: Eurostat (Mon 17-Nov).
- ECB stimulus gains traction, ready to do more if needed: Draghi (Mon 17-Nov).
- German economic sentiment surges strongly out of negative territory (Tue 18-Nov).
- Germany ZEW current conditions rose to 3.3 in November from 3.2 (Tue 18-Nov).

The eurozone economy grew faster than analysts forecast in Q3 as Germany and France rebounded and Greece showed some signs of revival. GDP increased 0.2% from Q2, when it rose 0.1%, Eurostat said. That's more than economists' estimates for 0.1%. Germany and France, the eurozone's two largest economies returned to growth in Q3, with expansions of 0.1% and 0.3%, respectively. Italy and Cyprus were the only countries to register a quarterly contraction of -0.1% and -0.4% respectively.

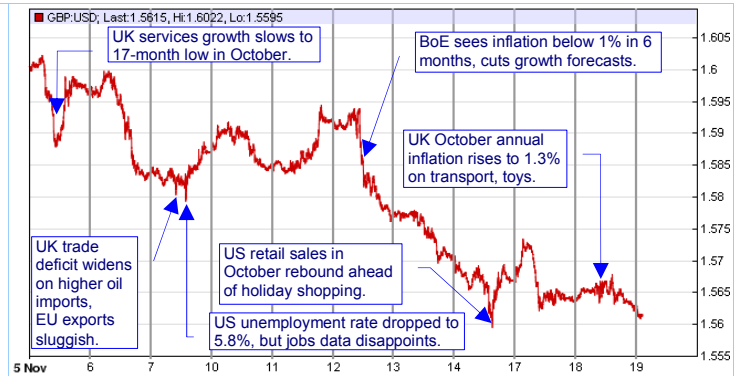
"The further deterioration in economic expectations and the stagnation of new orders point to a rather sluggish course of economic development in Germany until at least the end of 2014", the Bundesbank wrote in its latest monthly report. "No marked recovery in important eurozone partner countries has yet materialised", the report stated.

The eurozone trade surplus widened in September, Eurostat said, with a rise in exports offering rare good news for an embattled European economy that is worrying the world. The export turnaround breaks a three-month string of declines. Seasonally adjusted exports rose by 4.2% compared to a month earlier, to €171.9 billion. Imports also rose, but by a slower 3.0%. Across the whole 28-nation EU, exports rose by 5.8% over the period, while imports rose 3.2%. Overall, the currency bloc posted a €18.5 billion trade surplus in September, up from €8.6 billion the month before. As expected, Germany posted the EU's biggest trade surplus, €138.8 billion for the year to date.

Investor sentiment was boosted by comments from ECB president Draghi who said that the ECB was open to expanding its easy-money policies. "We see early indications that our credit easing package is delivering tangible benefits", Mr Draghi told lawmakers in the European Parliament, adding that more time was needed for the latest measures to unfold. He reiterated the ECB was ready to do more if inflation remained too low for too long, and new measures could include purchases of sovereign bonds.

Germany's ZEW index, which measures investor sentiment, just smashed out of negative territory. Analysts had expected the "economic sentiment" part of the index to rise just out of negative territory for November, to 0.5, from -3.6 in October (the first in negative territory for nearly two years); but November's figure has soared strongly to 11.5.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5800	1.5500
Spot Ref:	1.5615	
Tenor:	2 weeks	
Date:	19 Nov 2014	
Time:	10:15 hrs	
Resistance / Support:	1.5745	1.5549
Commentary:		



- BoE sees inflation below 1% in 6 months, cuts growth forecasts (Wed 12-Nov).
- UK October annual inflation rises to 1.3% on transport, toys (Tue 18-Nov).
- British house prices up 12.1% in a year to September (Tue 18-Nov).
- Market focus on BoE's minutes for Nov meeting (Wed 19-Nov, 17:30 hrs SGT).

British inflation is likely to fall below 1% in the next 6 months, giving endorsement to markets' view that it will not raise rates until late next year. Inflation has fallen too fast to a 5-year low of 1.2%. The BoE said the outlook for inflation had also weakened due to a sharp fall in commodity prices. "When Bank Rate does begin to rise, the pace of rate increases is expected to be gradual, with rates probably remaining below average historical levels for some time", the BoE said, repeating its guidance on rates. The BoE forecasts 3.5% growth (unchanged) for 2014, but trimmed growth forecasts to 2.9% in 2015 and 2.6% in 2016, down from 3.1% and 2.8% in August.

Britain's 12-month inflation rose unexpectedly in October, rebounding from a five-year low the previous month, lifted partly by the rising cost of computer games. The annual rate accelerated to 1.3% in October from 1.2% in September, the ONS said. Analyst expectations had been for the annual rate to remain at 1.2% in October. Core inflation, which excludes much of the effect of volatile food and energy costs, held steady at 1.5%. Prices at the factory gate fell 0.5% compared with October last year, indicating a lack of pressure on inflation in the pipeline. Input prices for factories fell by 8.4%, the biggest decline since September 2009.

House prices in Britain rose 12.1% in yearly terms in September, compared with an increase of 11.7% in August. Other, more up-to-date surveys have shown the rapid pace of house price growth starting to cool. In London, property prices jumped 18.8% in September, the ONS said. On a monthly basis, prices were up 0.5% in September.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.8800 0.8550  
 Spot Ref: 0.8688  
 Tenor: 2 weeks  
 Date: 19 Nov 2014  
 Time: 10:15 hrs  
 Resistance / Support: 0.8781 0.8586  
 Commentary:



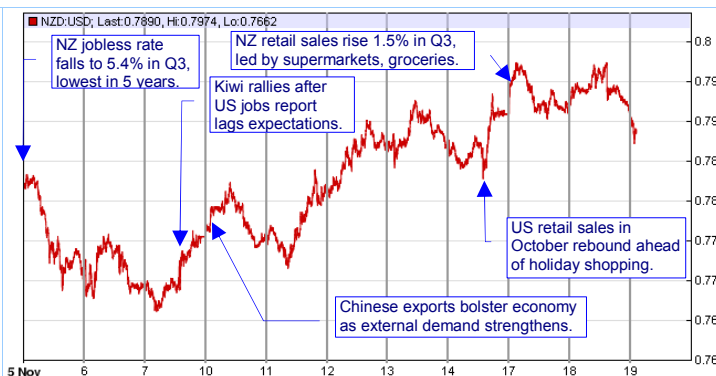
- Aussie rises as Australia signs free trade agreement with China (Mon 17-Nov).
- RBA says house price jumps good for economy (Tue 18-Nov).
- RBA minutes mention BoJ stimulus could trigger inflows into AUD (Tue 18-Nov).

The Australian Federal Government signed a free trade agreement (FTA) with China that will see tariff reductions for health, education and financial services, as well as dairy, beef, wine and horticultural producers. Prime Minister Tony Abbott announced negotiations for the FTA were complete. The Australian dairy sector is expected to get an equal, if not better, deal than New Zealand, and wine exports will also be among the first sectors to benefit. Under the deal worth at least A\$20 billion, 85% of all Australian exports will enter China tariff-free. This is expected to rise to 93% within four years and 95% when the deal is fully in force in more than a decade.

RBA's November 7 meeting minutes mentioned what effect stimulus measures by the Bank of Japan could have on the Aussie dollar. "Such flows could hold the Australian dollar at a higher level than economic fundamentals would imply", the RBA said. However, the Australian dollar had weakened during offshore trade as Japan's recession status boosted the greenback against a range of currencies.

The RBA said rising house prices were adding to household wealth at a time when wages were growing slowly, encouraging people to spend more money. "Members noted that the strength in the housing market was expected to give some support to household consumption in the near term as rising housing valuations allowed some credit-constrained home owners to bring forward their consumption", the RBA said. "The pickup in retail sales in Q3 and stronger growth in retail sales in those states with more rapid housing price growth was consistent with this view." The board also repeated its view that the Australian dollar is overvalued. Despite significant falls in commodity prices since January - a key driver of the exchange rate over the long term - the Australian dollar was higher at the end of October against the currencies of Australia's trading partners, the RBA noted.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8000 0.7750  
 Spot Ref: 0.7890  
 Tenor: 2 weeks  
 Date: 19 Nov 2014  
 Time: 10:15 hrs  
 Resistance / Support: 0.8000 0.7805  
 Commentary:



- NZ retail sales rise 1.5% in Q3, led by supermarkets, groceries (Mon 17-Nov).
- Australian deal could be good for New Zealand (Wed 19-Nov).
- NZ aims to ensure China deal matches Australia's FTA (Mon 17-Nov).
- Dairy prices drop again, GlobalDairyTrade auction down 3.1% (Wed 19-Nov).

New Zealand retail sales rose faster than expected in Q3, led by supermarkets and grocery stores, suggesting consumers haven't been deterred by rising borrowing costs. Retail sales volumes rose a seasonally adjusted 1.5% in Q3, according to StatsNZ. Unadjusted sales rose 4.1% from a year earlier. A quarterly gain of 0.8% for an annual increase of 4% had been expected, according to a Reuters survey. The retail sales report showed 12 of the 15 store types measured showed sales volume growth in Q3.

New Zealand will try to get dairy farmers a better trade deal with China if it's shown that Australia's new deal is superior. However, it's unlikely to be raised with China's president when he visits this week. Australia signed a free trade deal with China on Monday which reportedly abolishes tariffs for its dairy industry in 4 to 11 years, and produces benefits for beef and sheep farmers from the abolition of tariffs ranging from 12% to 25%. Australian Trade Minister Andrew Robb described the deal with dairy as "New Zealand-plus", saying restrictions applied on NZ liquid milk, cheese and butter exports won't be imposed on Australia.

Trade Minister Tim Groser said under the deal NZ signed with China six years ago, if China made a better agreement with another country, it had to match that with NZ. He could not say when this would happen. Finance Minister Bill English said NZ supported high-quality trade agreements because they set a benchmark for other countries.

Dairy prices hit their lowest level since 2009 at the GlobalDairyTrade auction overnight. The trade-weighted GlobalDairyTrade price index was down 3.1% to 747 points, its lowest since August 2009 when the global financial crisis was still haunting the dairy sector. The average winning price at the auction was US\$2561 (NZ\$3229) a tonne, down 49% in US dollar terms since February. And in a worrying sign for farmers, the price of whole milk powder, NZ's biggest dairy export, was down 5.1%.



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