



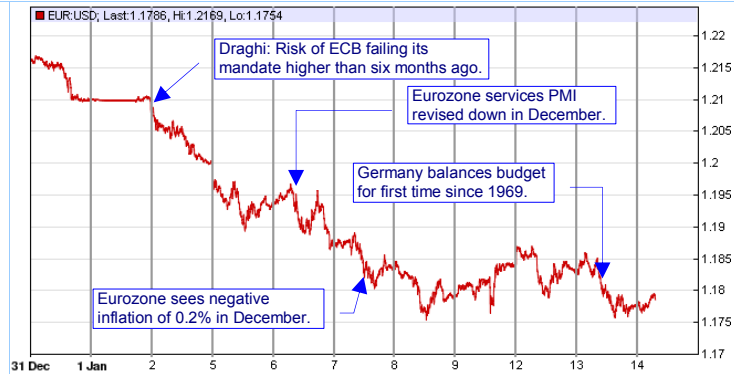
UOB Personal Financial Services  
Deposits, Investments & Insurance Strategy  
Research & Product Advisory

Wednesday, 14 January 2015

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2000	1.1650
Spot Ref:	1.1786	
Tenor:	2 weeks	
Date:	14 Jan 2015	
Time:	15:05 hrs	
Resistance / Support:	1.2009	1.1688
Commentary:		



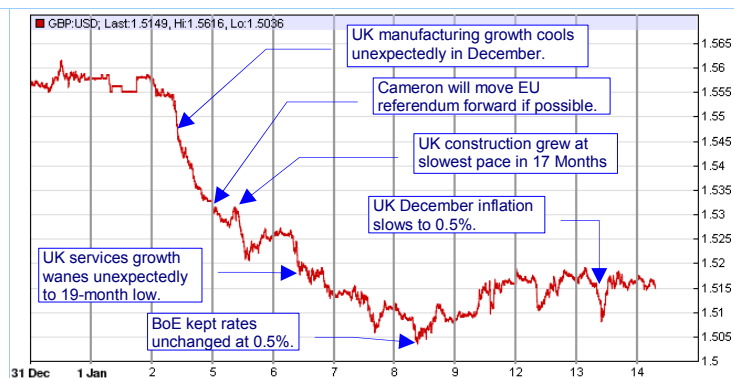
- Eurozone sees negative inflation of 0.2% in December (Wed 07-Jan).
- ECB's Nowotny says Grexit would be catastrophe for Greece (Mon 12-Jan).
- Germany balances budget for first time since 1969, resists stimulus (Tue 13-Jan).
- Market eyes ECB announcements on bond buying (Thu 22-Jan, 20:45hrs SGT).

Flash estimates showed consumer prices in the eurozone fell 0.2% in December, entering negative territory for the first time since the depths of the financial crisis in 2009. The drop, brought on by plummeting oil prices, is the first concrete sign of much-feared deflation. Energy prices in the eurozone sank a huge 6.3% in December, greater than a fall of 2.6% a month earlier, when inflation was a still positive 0.3%. The EC insisted that "temporary negative" prices were different from true long-term deflation. In a deflationary spiral, businesses and households delay purchases, throttling demand, triggering recession and causing companies to lay off workers. Spokeswoman Annika Breidhardt said low inflation would "continue for the short term, but we expect it to pick up again once the economy gradually strengthens and wages rise."

ECB policymaker Nowotny commented on Grexit that "for Greece it would be a catastrophe, for the other euro countries a massive problem". Germany's Angela Merkel has played down the chances of a Greek exit from the eurozone, but made clear she expected Athens to stick to the terms of its international bailouts after this month's election. The radical leftist Syriza party is leading opinion polls ahead of Greece's snap election on January 25, triggering fears of a standoff with EU/IMF lenders that could result in Greece leaving the eurozone. Syriza has pledged to cancel austerity policies imposed as part of Greece's €240 billion bailout, and try to negotiate debt relief.

Germany has balanced the federal budget for the first time in almost half a century, helped by strong tax revenues and rock-bottom interest rates, but the extra leeway is unlikely to translate into spending that could boost weak eurozone growth. Berlin had been aiming to achieve the so-called "schwarze Null" in 2015 - but the finance ministry announced on Tuesday it had got there in 2014, a year ahead of schedule. Germany is pressing eurozone partners to follow its austere example rather than try to stimulate their stagnant economies with borrowing or central bank money-printing. Chancellor Angela Merkel's government has rebuffed calls from EU partners led by France and Italy and international organisations such as the IMF and the OECD to spend some of the fiscal windfall on growth-promoting public investment.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5350	1.4950
Spot Ref:	1.5149	
Tenor:	2 weeks	
Date:	14 Jan 2015	
Time:	15:05 hrs	
Resistance / Support:	1.5369	1.4917
Commentary:		



- BoE kept rates unchanged at 0.5% as expected (Thu 08-Jan).
- UK retail sales soften in December after Black Friday bonanza (Tue 13-Jan).
- UK December inflation slows to 0.5%, lowest since May 2000 (Tue 13-Jan).
- House prices up 11% for first-time buyers, says ONS (Tue 13-Jan).

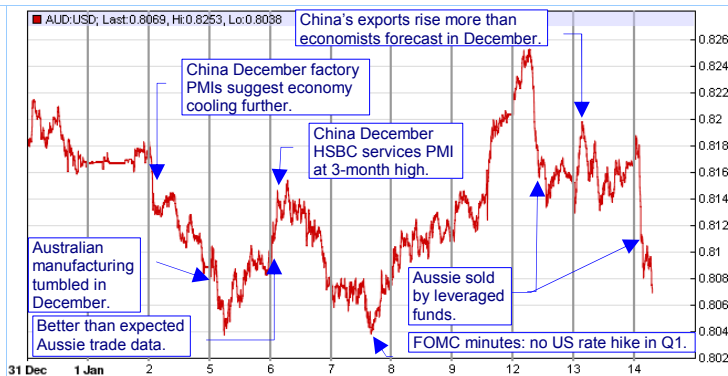
The BoE held interest rates at a record low as expected on Thursday, as the country's economy continues to hold up relatively well compared to its eurozone neighbors. The central bank held its benchmark base rate at 0.5%, where it has been since March 2009, and maintained its asset purchase target at £375 billion.

British retail spending growth slowed in December after consumers splashed out on November's "Black Friday" bargains and prices continued to fall broadly. The British Retail Consortium said retail spending was 1.0% higher this December than a year ago, the weakest December growth since 2008 and a sharp contrast with November's 2.2% jump. More British retailers adopted the US practice of "Black Friday" discounts in late November, which hurt sales in December, usually by far the strongest time of year. Taking lower prices into account, retail sales volumes rose an annual 2.6%, the same as in December 2013. In Q4, retail spending rose by 1.5%, up from 0.9% in Q3.

UK house prices rose by 10% in the year to November 2014 the ONS says, a slowdown from the 10.4% rate in the year to October 2014. The average house price for first-time buyers (£208,000) rose by 11% in the year to the end of November compared with 9.5% (£312,000) for existing owners.

UK consumer price inflation fell sharply to 0.5% in December, down from 1% in November. That matches the record low set in May 2000. Inflation is now below the BoE's target of 1% and BoE Governor Mark Carney will have to write an open letter to the Treasury to explain the situation. The main contributions to the fall came from the December 2013 gas and electricity price rises falling out of the calculation and the continuing drop in motor fuel prices", according to the ONS. In November, the BoE predicted CPI would hit its target of 2% only towards the end of 2017. Financial markets are expecting the BoE to start raising rates only in early 2016.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.8200 0.7950  
 Spot Ref: 0.8069  
 Tenor: 2 weeks  
 Date: 14 Jan 2015  
 Time: 15:05 hrs  
 Resistance / Support: 0.8234 0.8024  
 Commentary:



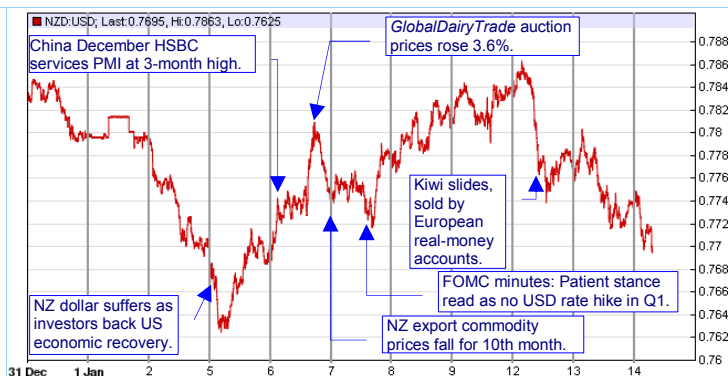
- FOMC minutes: patient stance read as no USD rate hike in Q1 (Wed 07-Jan).
- Australia retail growth slows to 0.1% amid high unemployment (Wed 14-Jan).
- Large-sized AUD/USD fund-related sell orders by leveraged funds (Wed 14-Jan).
- China's exports rise more than economists forecast in December (Tue 13-Jan).
- Australian job vacancies in 3 months to November rise 2.6% (Wed 14-Jan).

December FOMC minutes indicated that the Fed was concerned about international risks to US economy but may still raise rates even though inflation remained below target. Most FOMC participants agreed with the use of the patient stance as the new guidance on interest rates and the interpretation of it as "unlikely to begin the normalization process for at least the next couple of meetings" (i.e. rate hikes unlikely before April) but some members are concerned that markets expectations are now overly skewed towards a mid-2015 rate hike. In 2015, there will be more doves replacing the departing hawks (Fisher and Plosser) for now, which in our view benefits Yellen's dovish approach to deliver forward guidance for the eventual rates lift-off at a more gradual trajectory, as compared to previous rate normalization cycles.

China's exports climbed more than estimated last month as stronger demand from abroad helps bolster growth. Overseas shipments rose 9.7% in December from a year earlier, exceeding the 6% estimate in a Bloomberg survey. Imports fell 2.4%, compared with projections for a 6.2% decline, leaving a trade surplus of US\$49.61 billion, the customs administration said in Beijing. The median estimate for the trade surplus was US\$49 billion, down from November's record US\$54.5 billion.

Australian retail sales cooled for a second month, with sales rising only 0.1% in November from a month earlier. The slower-than-expected increase was partly caused by unemployment above 6% weighing on discretionary spending, with apparel sales falling 0.7%. By contrast, food sales rose 0.6%. A slump in fuel prices could offset the jobless rate and potentially cause retail sales to pick up in the first half of this year.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.7850 0.7600  
 Spot Ref: 0.7695  
 Tenor: 2 weeks  
 Date: 14 Jan 2015  
 Time: 15:05 hrs  
 Resistance / Support: 0.7841 0.7661  
 Commentary:



- Fed minutes show rate rise unlikely before April (Wed 07-Jan).
- RBNZ wins Central Bank of the Year global award (Tue 13-Jan).
- December dip in real estate boom - TradeMe (Tue 13-Jan).
- NZ's agritech exports on a roll but still underperforming peers (Tue 13-Jan).

The property market boom in NZ took a month off in December. TradeMe said the market "pause" dragged the average asking price for houses listed on TradeMe in the final quarter of 2014 down to NZ\$504,300. That was 0.9% down on the all-time high struck in the quarter to the end of November. The respite was expected as December was normally a quiet month with fewer new listings. The longer-term picture still reflected rising prices. Asking prices in the three months to December remained up 13% on the same quarter in 2013, and 26% higher than five years ago. The average December-quarter asking price for Auckland apartments was up 22.3% to NZ\$436,900.

London-based Central Banking Publications - the only journal dedicated to analysing and commenting on central banks and financial regulation - has announced that the RBNZ has won its 2015 honour. RBNZ chairman Rod Carr says the award recognises "the innovative work undertaken by the bank to enhance its contribution to the NZ economy". Dr Carr said the bank had played a part in steering NZ onto a steady economic path and helping Christchurch recover from the 2010 and 2011 earthquakes.

NZ's agritech exports, worth NZ\$1.2 billion annually, appear to be on a roll despite historically underperforming when compared to key competitors. NZ Trade and Enterprise commissioned a Coriolis report analysing the size, value and future potential of the agritech sector in order to better understand export opportunities. Although NZ has a long history in agriculture which contributes more than half of the country's total exports, its performance in agritech has previously been poorly defined. The report found agritech exports have grown at a 4% compound annual growth rate over the past five years from 2008 to 2013. NZ's free trade agreement with China, plus its sizeable demand for meat and dairy products, provides kiwi agritech firms with an opportunity to be the "go-to" provider in that market. NZ's agritech sector has a robust product mix with most areas showing strong growth potential. The report indicated potential upside for New Zealand of 5 to 10 times the current export levels.



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