



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1350	1.1100
Spot Ref:	1.1168	
Tenor:	2 weeks	
Date:	04 Mar 2015	
Time:	16:30 hrs	
Resistance / Support:	1.1309	1.1120

Commentary:

- Hawkish Fed officials comments, higher-than-expected core CPI data (Thu 26-Feb).
- Economic prospects brighten even as ECB is set to start bond buying (Tue 03-Mar).
- Eurozone refinancing rate (due on Thu 05-Mar, 20:45hrs SGT).
- German government approves Greek bailout extension (Fri 27-Feb).
- Greece to hurry reform proposals for EU loans (Tue 03-Mar).
- Eurozone Q4 GDP (due on Fri 06-Mar, 18:00hrs SGT).

The US dollar rose against the euro on the back of hawkish comments from many Fed officials as it revived US interest rate hike expectations and also in expectation for the start of the ECB stimulus programme in March. The EUR/USD hit an intraday low of 1.1184 last Thursday after data showed that US core CPI, which excludes food and energy, rose 0.2% in January, more than expected. December's reading was revised up to 0.1%. The year-on-year core inflation rate remained at 1.6% in January.

The German parliament approved an extension of Greece's bailout on Friday with 542 lawmakers voting in favour after finance minister Wolfgang Schaeuble said Athens would not be allowed to "blackmail" its eurozone partners. Almost all of Merkel's right-left coalition plus the opposition Greens, voted in favour of the debt extension leading to the biggest majority for any Eurozone rescue package so far in the 631-seat chamber. The 4-month extension faced the only major parliamentary hurdle-Bundestag.

The US dollar eased against the euro of key US employment coming out on Wednesday and more importantly on Friday.

The eurozone economy has taken a step in the right direction. While improving conditions over the past month won't change ECB president Mario Draghi's plan to start buying government bonds within days, continued economic recuperation may well stir a debate about when to end them. So far, officials have indicated the buying spree could be extended beyond its proposed timetable - a less likely outcome if an easing in the region's price slump and a drop in unemployment mark the beginning of a trend.

Greece will speed up its reform proposals to its international creditors to unlock vital loans, its finance minister said Tuesday. Greece's new radical government has until April to present reform proposals to its EU-IMF creditors in order to win approval for its plans for a four-year economic recovery blueprint. Until an agreement is reached, Athens has no access to funds remaining in its €240-billion EU-IMF bailout.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5500	1.5200
Spot Ref:	1.5366	
Tenor:	2 weeks	
Date:	04 Mar 2015	
Time:	16:30 hrs	
Resistance / Support:	1.5474	1.5262

Commentary:

- UK Q4 GDP growth sticks at 0.5% q/q, unrevised (Thu 26-Feb).
- UK manufacturing growth at seven-month high in Feb - PMI (Mon 02-Mar).
- BoE expected to keep rates unchanged (due Thu 05-Mar, 20:00hrs SGT).
- UK business investment slips as oil prices fall, trade boosts GDP (Thu 26-Feb).
- UK construction growth unexpectedly surges in February - PMI (Tue 03-Mar).

The ONS reaffirmed its findings that the UK's GDP grew 0.5% in Q4. The figure was unrevised from the ONS' original estimate. It added that 2014 GDP growth was 2.6%, also unrevised, the UK's highest growth since 2007, which made the UK the fastest-expanding G7 economy in 2014. Meanwhile, another report from the ONS showed output in the dominant services sector rising 0.8% in Q4, while industrial production rose just 0.1% and the construction sector actually contracted by 2.1%.

British manufacturing growth hit a seven-month high in February, which adds to signs that Britain's economy started 2015 on a strong footing, albeit one based mostly on domestic demand. The latest Markit/CIPS UK Manufacturing PMI rose a full point to 54.1 in February from an upwardly revised January reading. The survey will cheer finance minister George Osborne, who hopes strong economic growth over the last 18 months will persuade voters to hand his Conservative Party victory in a national election on May 7. The PMI suggested British manufacturing output is growing at a quarterly rate of around 0.5%, compared with a 0.2% expansion in Q4 of 2014.

Growth in Britain's construction industry jumped unexpectedly to a four-month high last month, adding to evidence Britain's economy started 2015 strongly, although building firms hired staff at the slowest pace in more than a year. The Markit/CIPS UK construction PMI rose a full point to 60.1, defying expectations for a slight fall to 59.0 and reaching its highest level since October. Growth picked up across the housing, commercial and civil engineering sectors.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.8000	0.7700
Spot Ref:	0.7823	
Tenor:	2 weeks	
Date:	04 Mar 2015	
Time:	16:30 hrs	
Resistance / Support:	0.7991	0.7712
Commentary:		



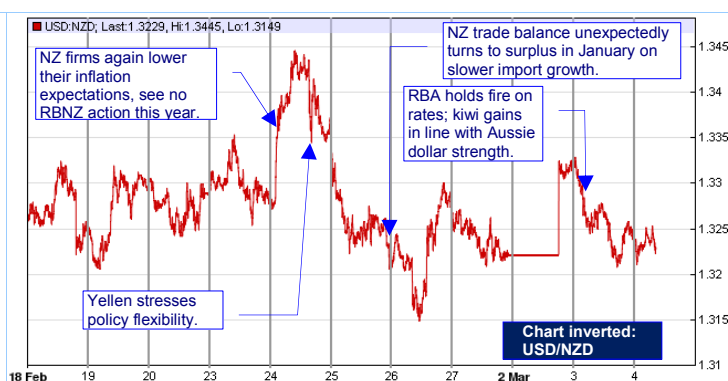
- RBA holds fire on rates but suggests further easing (Tue 03-Mar).
- Soft growth a challenge for Australia budget (Wed 04-Mar).
- Australia's economy grew 0.4% in Q4, slower than forecast (Wed 04-Mar).

The RBA left the cash rate unchanged at a record low of 2.25% at its March board meeting. However, a clear easing bias was evident in the accompanying statement, with room for more cuts ahead if needed. The central bank concluded that "At today's meeting the Board judged that, having eased monetary policy at the previous meeting, it was appropriate to hold interest rates steady for the time being. Further easing of policy may be appropriate over the period ahead, in order to foster sustainable growth in demand and inflation consistent with the target. The Board will further assess the case for such action at forthcoming meetings".

At the moment, the RBA is clearly choosing to stay pat to see if there are signs of improvement in the economy or to see if the housing market cools. The problem of skyrocketing house prices was debated on 3 February, according to meeting minutes, before deciding to cut rates for the first time in more than 1½ years. And the nine member board was divided on the discount. One more rate cut to 2.00% is expected, although the likelihood of further rate cuts remains high. How low the RBA would go further will also depend on when the US Fed begins hiking its interest rates. Nonetheless, there is reason to believe that AUD/USD should see further downside here.

Australia's economy expanded slower than economists forecast in Q4 of last year, underscoring the RBA's decision to renew its policy easing cycle. Q4 GDP advanced 0.5% from Q3, when it rose a revised 0.4%. Forecast was for a 0.6% gain. The annual rate slipped to 2.5%. Under 3% suggests employment growth will be tame, keeping upward pressure on the jobless rate. It also means less revenue for Treasurer Joe Hockey. Exports were again the key prop for growth in Q4, helped by the decline in the Aussie. A fall in business inventories was the largest hit to growth in Q4. Subdued business confidence meant firms were more inclined to draw on existing stock in warehouses rather than ramp up production. The overall disappointing result suggests Mr Hockey will have to tread carefully as he tries to improve the budget bottom line.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7700	0.7350
Spot Ref:	0.7509	
Tenor:	2 weeks	
Date:	04 Mar 2015	
Time:	16:30 hrs	
Resistance / Support:	0.7686	0.7398
Commentary:		



- NZ trade balance unexpectedly turns to surplus in January (Thu 26-Feb).
- Modest rise in NZ dairy price (Wed 04-Mar).
- Inflation could hit zero: English (Thu 26-Feb).

New Zealand's trade balance unexpectedly turned to a surplus in January as the impact of weaker crude oil prices on imports outpaced a decline in exports led by dairy products. The trade surplus was NZ\$56 million in January, compared to a deficit of NZ\$195 million in December and a surplus of NZ\$285 million in January 2014, according to StatsNZ. Exports fell to NZ\$3.7 billion in January from NZ\$4.42 billion in December and were down from NZ\$4.1 billion in January last year. Imports fell to NZ\$3.64 billion from NZ\$4.58 billion in December and were down from NZ\$3.78 billion a year earlier. Economists had expected a trade deficit for January of NZ\$183 million, according to a Reuters survey. The annual balance was a deficit of NZ\$1.4 billion, compared to expectations of a NZ\$1.6 billion deficit.

Inflation could head towards zero this year, said NZ Finance Minister Bill English. He said forecasts show the economy growing by an average of almost 3% a year over the next five years, following growth of between 2% and 3% in each of the past three years. "The strong demand for labour hasn't yet resulted in pressure creating a wage and price inflation cycle", he said in his first pre-budget speech on Thursday. "Actually, inflation is surprisingly low and could head towards zero this year."

The Aussie dollar strengthened markedly after the RBA held rates unchanged. The kiwi similarly followed and also appreciated against the USD.

The latest Global Dairy Trade Event has seen prices rise by a modest 1.1%. It's the fifth consecutive rise at the fortnightly auction, after prices fell by around 50% in 2014. It's not unexpected to see a plateau, given the strong moves in the last two auctions. It does lend support to the decision by Fonterra to wait before revising the forecast dairy payout and not a lot of impact on the currency this morning from that result.



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