



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3700	1.3450
Spot Ref:	1.3577	
Tenor:	2 weeks	
Date:	06 Feb 2013	
Time:	11:30 hrs	
Resistance / Support:	1.3720	1.3460
Commentary:		

■ S&P affirms ECB's **triple-A** top rating, outlook stable (Thu 31-Jan).
 ■ Eurozone inflation down, unemployment stable (Fri 01-Feb).
 ■ Eurozone PMI signals downturn eased in January (Tue 05-Feb).

Rating agency S&P on Thursday affirmed the ECB's top triple-A rating, citing the bank's monetary flexibility and the high average sovereign ratings among the eurozone's member nations. The outlook is stable, the agency added. "The ECB's monetary policy flexibility is supported by the euro's role as a reserve currency, the euro's free floating exchange rate regime, and the credibility of the ECB's monetary policy," S&P said in a statement. Moody's currently rates the bank Aaa, also with a stable outlook.

Fresh data have shown that unemployment in the whole bloc and the smaller eurozone is still alarmingly high. But consumer prices have eased further in recent weeks. Inflation in the 17-member euro area dropped unexpectedly in January to 2%, in line with the target set by the ECB, preliminary data from Eurostat showed on Friday. Eurozone unemployment remained stubbornly high at 11.7% for a third consecutive month in December. Until October, the rate had steadily increased since mid-2011.

Private-sector activity across the euro zone continued to shrink in January, but saw the smallest decline in 10 months, according to the Markit composite PMI, released Tuesday. The index came in at 48.6, up from 47.2 in December and above a preliminary estimate of 48.2. The services PMI for the region also came in at 48.6, up from December's 47.8 and a preliminary reading of 48.3. National PMI readings, however, highlighted diverging performance within the euro zone, with Germany expanding at its strongest clip in 19 months while Spain, Italy and France each saw a sharper contraction. While German companies reported the strongest growth for almost a year-and-a-half, French firms suffered the steepest downturn for nearly four years, with output falling at a much faster rate than in both Spain and Italy. Confidence in the euro was restored on Tuesday after better than expected eurozone services PMI and markets choosing to look beyond the problems in Spain and Italy.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5800	1.5550
Spot Ref:	1.5656	
Tenor:	2 weeks	
Date:	06 Feb 2013	
Time:	11:30 hrs	
Resistance / Support:	1.5765	1.5575
Commentary:		

■ Nationwide – UK house prices rise more than forecast in January (Thu 31-Jan).
 ■ Sterling stumbles as manufacturing PMI falls to 50.8 (Fri 01-Feb).
 ■ Rent inflation will slow in 2013 on supply, Rightmove says (Mon 04-Feb).
 ■ UK services PMI rises to 4-month high of 51.5 in January (Tue 05-Feb).

British house prices rose more than expected this month compared with December and stopped their annual decline, helped by the BoE's scheme to boost lending, mortgage lender Nationwide said on Thursday. Nationwide data showed that house prices ticked up 0.5 per cent on the month after a slightly upwardly revised flat reading in December. Compared with January 2012, prices were unchanged, avoiding a decline for the first time since last February.

The pound fell against the dollar on Friday after weak UK manufacturing data fuelled growing concerns that the economy is facing strengthening headwinds. The Markit research group reported that the UK manufacturing PMI fell to 50.8 in January from 51.2 in December, outpacing analysts' calls for a decline to 51.0.

UK residential property rent inflation will slow this year as purchases by landlords boosts supply, Rightmove said, citing a survey. 74% of professional landlords intend to expand their portfolios in 2013, the London-based property company said. Investors will be lured by tenant demand and "attractive" returns. 88% of landlords said the minimum average return they are seeking is 5%. The average UK rental yield is 5.73%, meaning the "right balance of rent versus return is being achieved".

Service sector activity in the UK expanded at a faster rate than expected in January, growing at the strongest pace since September. Markit said the seasonally adjusted Markit/CIPS Services PMI rose to 51.5 in January from a reading of 48.9 in December, against expectations of 49.8. In comparison, the British pound ended weaker against the USD even though the UK services PMI returned back to expansionary territory while the services sector in eurozone remained in contraction in January.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 1.0450 1.0250
 Spot Ref: 1.0355
 Tenor: 2 weeks

Date: 06 Feb 2013
 Time: 11:30 hrs

Resistance / Support: 1.0465 1.0250

Commentary:



- Inflation within expectation; rate change unlikely yet (Mon 04-Feb).
- Building approvals post surprise slide (Mon 04-Feb).
- RBA leaves interest rates unchanged (Tue 05-Feb).
- Retail sales shrank in lead-up to Christmas (Wed 06-Feb).

A closely watched measure shows inflation remained weak last month, helped by the strong Aussie dollar, but the cost of key services is rising. The TD Securities - Melbourne Institute Inflation Gauge rose by 0.3% in January. That puts the annual rate of inflation at 2.5%, which is at the middle of the RBA's target range. The RBA's preferred trimmed mean (which removes some volatility from the figures) was up 0.2% in January for a 2.2% rise over the past year, placing it in the bottom half of the RBA's target range and giving it scope to lower the official interest rate, but economists expects the RBA to leave interest rates on hold after the many cuts made last year.

Building approvals ended 2012 with a solid fall that surprised economists who were generally expecting a modest rise. Bureau of Statistics data show the number of dwellings approved for construction fell 4.4% in December, more than offsetting a 3.4% rise the previous month. More worryingly for analysts, the fall was split fairly evenly between a 3.3% decline in the more stable detached house figures, and a 5.4% slide in the typically volatile non-house dwellings category (mainly apartments).

As expected, the first RBA meeting of the year culminated with the decision to keep the cash rate steady at a historical low of 3.00%. The RBA said that "with inflation likely to be consistent with the target, and with growth likely to be a little below trend over the coming year, an accommodative stance of monetary policy is appropriate. The Board will continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand and inflation outcomes consistent with the target over time".

Retail sales shrank in the lead up to Christmas, but the news was better for fashion and department stores. Sales across all retail sectors fell 0.2%, seasonally adjusted. The result disappointed analysts, who had expected sales to climb a modest 0.3%. The poor overall sales result drove the Australian dollar lower.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8550 0.8350
 Spot Ref: 0.8446
 Tenor: 2 weeks

Date: 06 Feb 2013
 Time: 11:30 hrs

Resistance / Support: 0.8565 0.8385

Commentary:



- Job ads continue to slide for 11th straight month (Mon 04-Feb).
- Brighter outlook for building industry (Mon 04-Feb).
- Barfoot's Auckland property listings jump 40% (Tue 05-Feb).

Job advertisements fell for an 11th straight month in January, a leading employment survey says. The ANZ Job Ads survey showed the total number of ads fell 0.9% in January, after a fall of 2.8% in December. According to the survey, the number of job ads placed online or in newspapers has declined in seasonally adjusted terms every month since February 2012. The number of job ads placed in newspapers fell 9.2% in January, in seasonally adjusted terms, while internet job ads declined 0.6%.

The outlook appears significantly brighter for the building industry. A new survey on business sentiment points to a jump in confidence from NZ's building and infrastructure sectors. The AECOM report says 50% of respondents expect increased spending this year, up from 14% six months ago. However a mood of uncertainty remains, with concerns about insurance, margin cutting to win work, and a lack of investment commitment. On the positive side, the Christchurch rebuild is starting to kick in.

Auckland real estate firm Barfoot & Thompson's new listings more than doubled in January from December while the average sale price fell, suggesting the city's overheated property market is luring more sellers. Auckland's biggest real estate firm listed 1,440 properties in January, the highest for that month in five years and up 40% from January 2012. The firm had 697 listings in December. The average sale price last month was NZ\$600,754, the first time it has exceeded NZ\$600,000 for January.



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