



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3050	1.2650
Spot Ref:	1.2859	
Tenor:	2 weeks	
Date:	29 May 2013	
Time:	10:50 hrs	
Resistance / Support:	1.3074	1.2680
Commentary:		

- Eurozone recession likely to continue in Q2 as PMI data disappoints (Thu 23-May).
- German Q1 GDP growth damped by construction, investment (Fri 24-May).
- French consumer morale falls unexpectedly in May (Tue 28-May).
- EU to move spotlight from austerity to reforms to spur growth (Wed 29-May).

The eurozone's services and manufacturing sectors improved in May, but they still remained in contraction indicating that the eurozone will see another quarter of declining growth. Markit's flash Eurozone Composite Output index rose to a three-month high at 47.7 in May, compared to 46.9 in April. The services activity index rose to 47.5 from 47.0, while the manufacturing PMI rose to 47.8 from 46.7. Although the Eurozone PMI rose for a second successive month in May, the survey remains firmly in contraction territory and indicates that the economy is likely to contract in Q2 at a similar rate to the 0.2% decline seen in Q1.

German GDP increased 0.1% in Q1. From a year earlier, the economy shrank 0.2% (adjusted). GDP fell 0.7% in Q4 of 2012. Growth in Q1 was hampered by declines in construction activity and investment as a severe winter and a recession in Europe damped demand. Construction fell 2.1% from Q4 and capital investment dropped 1.5%.

French consumer confidence fell sharply in May, staying well below its long-term average and lower than economists' forecast. INSEE said its monthly consumer morale index dropped by 4 points to 79 after losing 2 points in March, below the long-term average of 100 and lower than an average forecast of 85 in a Reuters poll.

The European Commission will further shift the EU's policy focus from austerity to structural reforms to revive growth when it presents economic recommendations for each member state on Wednesday (29-May). In its annual assessment of the EU's budget rules, the Commission will say that while fiscal consolidation should continue, its pace can be slower now that a degree of investor confidence in the euro has been restored. Because highly indebted governments cannot afford to kickstart growth through public spending, they must reform the way their economies are run - by making labour markets more flexible or by opening up product and services markets.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5200	1.4950
Spot Ref:	1.5032	
Tenor:	2 weeks	
Date:	29 May 2013	
Time:	10:50 hrs	
Resistance / Support:	1.5198	1.5000
Commentary:		

- UK GDP expansion confirmed at 0.3% in Q1 (Thu 23-May).
- UK house prices rise most in 6 years on London demand surge (Mon 27-May).
- UK banks cut 189,000 jobs as employment sinks to 9-year low (Mon 27-May).
- Osborne says 7 government departments agree spending cuts (Tue 28-May).

A second estimate of the UK GDP confirmed that the economy expanded by 0.3% in Q1 of 2013. The economic expansion saved the UK from a triple dip recession. The GDP rose 0.6% from Q1 2012, according to the ONS. Private consumption increased by 0.1% in Q1, disappointing expectations for a 0.3% increase. Government spending was unchanged, also disappointing expectations for a 0.2% increase. However, exports declined 0.8% in Q1, better than expectations for the exports to decline 1.0%.

UK house prices rose the most in six years this month as a shortage of properties boosted values in London, according to Hometrack Ltd. Average values in England and Wales increased 0.4%, the biggest monthly increase since May 2007. London prices jumped 0.9%. Demand in the capital has surged 15% in the past six months, while supply has fallen 0.6%. The impetus for rising house prices is originating almost exclusively from London and the southeast. Elsewhere housing market conditions are improving gradually, with prices trending slowly upwards. London supply rose 3.5%, though that wasn't enough to keep pace with a 5.6% increase in new buyers.

Britain's four biggest banks will have eliminated about 189,000 jobs by the end of this year from their peak staffing levels, bringing employment to a nine-year low amid a dearth of revenue. More cuts may follow. RBS, HSBC, Lloyds and Barclays will employ about 606,000 people worldwide by the end of 2013, according to data compiled by Bloomberg. That's 24% below the peak of 795,000 in 2008 and the least since 2004, when they employed 594,000 globally.

British Finance Minister George Osborne said 7 government departments have agreed to spending cuts of up to 10% as part of a spending review. Mr Osborne told ITV television that Britain's justice, energy and communities departments faced significant savings. Mr Osborne wants to reduce spending for the year by £11.5 billion, some of which he says will be earmarked for infrastructure projects. Full details of the deals he has struck with ministers will not be revealed until next month's spending review.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9800 0.9500  
 Spot Ref: 0.9574  
 Tenor: 2 weeks  
 Date: 29 May 2013  
 Time: 10:50 hrs  
 Resistance / Support: 0.9808 0.9500  
 Commentary:



- HSBC flash China manufacturing PMI shrinks for first time in 7 months (Thu 23-May).
- Swan urges non-miners to pick up slack as Australian boom peaks (Sun 26-May).
- RBA board member says Australia under-taxed and over-regulated (Tue 28-May).
- Aussie dollar trades lower after more good US economic news (Wed 29-May).

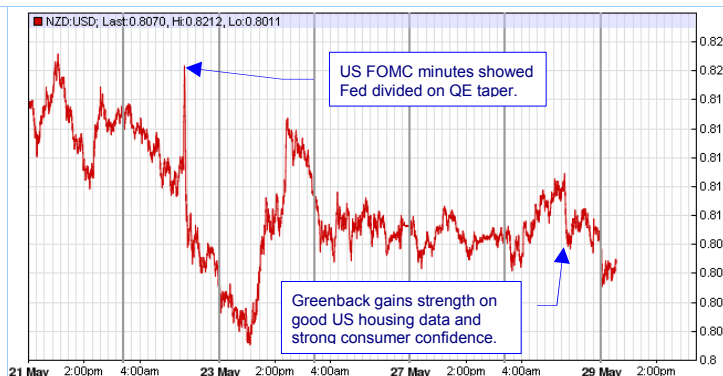
China's factory activity shrank for the first time in 7 months in May as new orders fell, entrenching fears that its economic recovery has stalled and that a sharper cool down may be imminent. The flash HSBC PMI for May fell to 49.6, slipping under the 50-point level demarcating expansion from contraction for the first since October. The final HSBC PMI for April was at 50.4. The lack of vigour in the economy implies the government's 7.5% growth target this year is increasingly difficult to meet.

Australia needs non-mining industries to pick up the economic slack as a record resource investment boom crests, Treasurer Wayne Swan said, while acknowledging the local currency has complicated the task. "This transition won't be seamless, and recently the high dollar has been making it harder for firms in many non-mining sectors to pursue new investment opportunities. While the dollar still remains at historically high levels, the recent dip in our exchange rate may provide relief for some firms - although it often takes time for exchange rate movements to have an impact on business decisions."

RBA board member Roger Corbett has warned the nation is under-taxed and labour markets are over-regulated. Speaking to reporters after a speech to a business event in Adelaide, Mr Corbett said the Federal Government went too far when it rolled back Work Choices after the Rudd government was elected in late-2007. He argued that a sensible balance needed to be achieved and, at the moment, employment costs are eating away at foreign investment and he wants to see a middle ground that respects both employer and worker rights. Mr Corbett said cost overruns had already seen major resource projects shelved, with Woodside's Browse project in WA a case in point.

Consumer confidence in the US rose in May for a second consecutive month to a 5-year high. The Conference Board index of consumer attitudes jumped to 76.2 from an upwardly revised 69 in April, topping economists' expectations for 71. It was the best level since February 2008. The data gave investors reason to believe the US Fed officials would taper off its US\$85 billion a month bond buying program. Looking ahead, the next Reserve Bank of Australia monetary policy meeting will be on June 4.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8200 0.7950  
 Spot Ref: 0.8070  
 Tenor: 2 weeks  
 Date: 29 May 2013  
 Time: 10:50 hrs  
 Resistance / Support: 0.8210 0.7923  
 Commentary:



- NZ and China may allow direct currency conversion for trade (Mon 27-May).
- Auckland property: 17 suburbs in NZ\$1 million club (Tue 28-May).
- USD gains against all majors after more good US economic news (Tue 28-May).
- Fonterra raises milk payout forecast on slowing global output (Wed 29-May).

NZ and China are in talks about making their currencies directly convertible, aiming to reduce costs as trade between the two countries is targeted to surge 33% in the next two years. The talks were initiated during NZ Prime Minister John Key's visit to China last month. The negotiations are in an early stage and are progressing without a specific timeframe, said a spokeswoman. NZ's exports to China jumped 32% in the first quarter, surpassing shipments to Australia for the first time, led by dairy products, logs and meat. The currency talks are underway as NZ targets NZ\$20 billion in two-way annual trade with China by 2015 from NZ\$15.2 billion in the year ended March.

Auckland's booming residential market has pushed 10 new suburbs into the NZ\$1 million-plus club, raising the number to 17. And the city is just NZ\$15,000 off reaching its first NZ\$2 million suburb, which could happen in the next three months. Herne Bay has an average property value of NZ\$1.985 million, a rise of 18% over the past 2 years. The RBNZ was expected to raise the historically low interest rates early next year to cool the market which has started to pick up with more building consents being issued.

Fonterra Cooperative Group Ltd, the world's largest dairy exporter, expects to pay its farmer suppliers 21% more next year after prices surged to a record on NZ's worst drought in three decades. The company will pay its 10,500 farmer shareholders NZ\$7 per kilogram of milk solids in the year ending May 31, 2014, up from the current year's payout of NZ\$5.80. An increase would put more cash in the hands of farmers and provide a lift for the broader economy. The kiwi had weakened last night upon the release of more good US economic news - US consumer confidence at a 5-year high, and US house price rises setting a 7-year record in March.



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