



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3450	1.3150
Spot Ref:	1.3295	
Tenor:	2 weeks	
Date:	07 Aug 2013	
Time:	11:20 hrs	
Resistance / Support:	1.3480	1.2923

**Commentary:**

- ECB holds rates; no hike for some time (Thu 01-Aug).
- Eurozone business expands for first time in 18 months (Mon 05-Aug).
- Eurozone manufacturing PMI up for first time since July 2011 (Thu 01-Aug).
- Italy contraction slows; German factory orders sharply up (Tue 06-Aug).

ECB president Mario Draghi left interest rates at a record low 0.5% and hinted that policy would not be tightened until well into 2014, although it will give no time horizon for when rates might move. Mr Draghi wants to begin publishing the minutes of ECB meetings, which have been kept secret, and said proposals on providing markets with more information would be brought forward later in the year. Mr Draghi said there was no discussion of the ECB adopting an economic threshold as a trigger.

Eurozone manufacturing activity grew for the first time in two years last month as factory output surged, suggesting that the region may pull out of recession this quarter. Markit's Eurozone Manufacturing PMI rose to 50.3 last month from June's 48.8, revised slightly higher from a preliminary reading of 50.1 and crossing the 50 threshold for growth for the first time since July 2011. It follows a string of promising economic data out of the eurozone, which has wallowed in recession since the end of 2011.

Activity among businesses in the eurozone grew modestly in July for the first time in a year and a half, adding to evidence the crisis-hit economy is stabilizing after a long recession. Markit said Monday its composite PMI, based on polls of company executives in the manufacturing and services sectors, rose to 50.5 in July from 48.7 in June. That is the first above-50 reading, signalling growth, since January 2012. It was revised up from an early estimate last month of 50.4.

The Italian economy contracted 0.2% over the quarter, beating expectations for a 0.4% contraction and better than the 0.6% contraction reported for Q1. Business confidence rose for a third month in July, and unemployment slipped in June from a record high. Consumer confidence unexpectedly advanced in June, and retail sales rose in May for the first time in a year. The GDP for the entire Eurozone for Q2 will be released in an advanced estimate on August 14. Separately, German factory orders jumped 3.8% month-on-month in June, and the previous 1.3% month-on-month drop in May orders was revised up to -0.5%.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5450	1.5100
Spot Ref:	1.5329	
Tenor:	2 weeks	
Date:	07 Aug 2013	
Time:	11:20 hrs	
Resistance / Support:	1.5415	1.5000

**Commentary:**

- BoE maintains policy; manufacturing PMI better than expected (Thu 01-Aug).
- UK construction PMI hits highest level in over 3 years - Markit/CIPS (Fri 02-Aug).
- UK house prices grow at fastest rate in nearly 3 yrs: Nationwide (Fri 02-Aug).
- UK services surge to fastest in more than 6 years (Mon 05-Aug).

The pound strengthened after the BoE left monetary policy unchanged and a gauge of manufacturing rose more in July than economists forecast. The Markit/CIPS manufacturing PMI factory output rose to 54.6, the highest since March 2011 from a revised 52.9 in June. Economists had forecasted 52.8.

British house prices grew at their fastest annual rate for nearly three years last month, mortgage lender Nationwide said on Friday, citing a stronger economy and government measures to aid home purchases. Nationwide said that the monthly rate of house price increases jumped to 0.8% in July from 0.3% in June, beating economists' forecasts of a 0.4% rise. House prices are now 3.9% higher than last July, the strongest annual rise since August 2010 and again stronger than forecast.

British construction activity jumped sharply in July to hit its highest level in over three years, led by a surge in residential building. The Markit/CIPS construction PMI leapt to 57.0 in July, up from 51.0 in June and its strongest level since June 2010. The figure was way above the highest forecast in a Reuters poll of economists. July's survey highlights a new wave of optimism across the UK construction sector, with companies reporting a pace of expansion in excess of anything seen over the past three years.

UK services growth accelerated more than economists forecast last month to the fastest pace in more than six years, adding to evidence Britain's economic recovery is gathering momentum. The Markit/CIPS gauge of activity rose to 60.2 from 56.9 in June, the highest since December 2006. Economists had forecasted 57.4.

The key event today will be the BoE inflation report, as BoE Governor Carney has previously indicated that details on "forward guidance" for policy will come in that venue.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9200 0.8800  
 Spot Ref: 0.8955  
 Tenor: 2 weeks  
 Date: 07 Aug 2013  
 Time: 11:20 hrs  
 Resistance / Support: 0.9383 0.8800  
 Commentary:



- Australia budget deficit hits A\$30 billion; deposit tax unveiled (Fri 02-Aug).
- Australia house prices rise strongly in June quarter (Tue 06-Aug).
- Housing sector improving, as home loans rise 2.7% in June (Wed 07-Aug).
- Trade balance in surplus in June (Tue 06-Aug).
- RBA cuts OCR to record low 2.5%; Aussie rallies on neutral bias (Tue 06-Aug).
- Unemployment rate expected to hit 5.8% (report due on Thu 08-Aug).

Australia said Friday its budget deficit has ballooned to A\$30 billion from A\$18 billion in the May budget and revenues are shrinking, as it unveiled a pre-election mini-budget that includes a controversial plan to tax bank deposits up to A\$250,000 at 0.05% from 2016, raising A\$733 million in the first 18 months. It also plans to hike tobacco taxes by 12.5% per year over the next 4 years, to raise more than A\$5 billion. The economy would grow 2.5% in July-June, slower than the 2.75% forecast in May.

Australia's trade balance has stayed in the black, with a surplus of A\$602 million in June, following a surplus of A\$507 million in May, the ABS said. Economists had expected a surplus of A\$800 million in June. During the month, exports fell 1.0%, while imports fell 2.0%.

Australian capital city house prices rose 2.4% in the June quarter. That followed a rise of 0.8% in the March quarter. In the year to June, the house price index rose 5.1%. Economists had expected a rise of 1.0% for the June quarter.

The RBA pushed the benchmark interest rate to a fresh record-low of 2.50%. As expectations of a rate cut was so heavily priced in, the markets placed more emphasis on the RBA's forward guidance. The accompanying statement turned out less dovish than expected, with Governor Glenn Stevens stating that "the easing in monetary policy over the past 18 months has supported interest-sensitive spending and asset values, and further effects can be expected over time". He added that "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 inflation target over time".

The number of home loans approved in June rose 2.7%. There were 51,001 approvals in the month, compared to 49,642 approvals in May. Economists had expected the number of housing finance commitments to rise 2.0% in June. Total housing finance by value rose 1.2% in June, seasonally adjusted, to A\$23.690 billion, the ABS said.

All eyes will now turn to Australia's key employment report on Thursday (August 8), followed by the RBA's updated forecasts on growth and inflation the next day. The unemployment rate is expected to rise to 5.8% in July, matching the highest since June 2009.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8100 0.7650  
 Spot Ref: 0.7892  
 Tenor: 2 weeks  
 Date: 07 Aug 2013  
 Time: 11:20 hrs  
 Resistance / Support: 0.8063 0.7684  
 Commentary:



- Kiwi recovers as limited impact seen on Fonterra food safety scare (Tue 06-Aug).
- NZ employment gains as case for 2014 rate rise builds (Wed 07-Aug).

The kiwi fell to a month-low as NZ said China halted imports of milk powders from Fonterra after the world's largest dairy exporter warned of a contaminated ingredient. The restrictions are a blow for NZ because China is its biggest trading partner, importing 90% of milk products from NZ. Dairy products make up 25% of exports, which account for about a third of economic output. Fonterra collects 89% of the milk produced in NZ. The kiwi dollar recovered some ground on confidence trade with China would not be as severely affected as first thought. Fonterra said China had not imposed a blanket ban of its products, but had temporarily suspended a few whey products.

NZ employers added workers at a faster pace than economists expected in the June quarter and more people sought work, adding to the case for an interest-rate increase early next year. Employment rose 0.4%, or 8,000 jobs, from Q1 when it surged a record 1.7%, StatsNZ said. The median forecast was for a 0.3% gain. The jobless rate rose to 6.4% from 6.2%, and was higher than the 6.3% seen by economists, as the participation rate climbed to 68%. Jobs growth and rising business confidence suggest pressure may build on wages and inflation in coming quarter, adding to signs that Governor Graeme Wheeler may start raising interest rates from a record-low 2.5% early next year. Last month, he signalled that borrowing costs will need to increase, while adding that he didn't expect to move this year because inflation remains benign.



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