



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3450	1.3150
Spot Ref:	1.3261	
Tenor:	2 weeks	
Date:	14 Aug 2013	
Time:	11:30 hrs	
Resistance / Support:	1.3438	1.3104
Commentary:		

- Spain July consumer prices rise 1.8% year on year (Tue 13-Aug).
- ZEW German investor sentiment beats expectations in August (Tue 13-Aug).
- Germany sees highest inflation rate of 2013 at 1.9% (Tue 13-Aug).
- Eurozone industrial output rallies sharply: official data (Tue 13-Aug).

Spanish national consumer prices rose 1.8% year-on-year in July according to data from the National Statistics Institute on Tuesday, compared to 2.1% in June and in line with forecast. Annual inflation pressures eased in July from a month earlier due to lower price rises for medicine, housing and transport this year compared to increases registered in the same month in 2012. Spanish EU-harmonised prices rose 1.9% from a year earlier, down from 2.2% in June and also in line with forecast.

The rate of inflation in Germany continued to climb in July to reach the highest level seen this year, rising 1.9% this month on a 12-month basis, up from 1.8% in June, the federal statistics office Destatis said. The pick-up in the rate of inflation was driven primarily by rising food prices. Using the Harmonised Index of Consumer Prices (HICP), the ECB's inflation yardstick, the rate of inflation in Germany was also 1.9% in July. The ECB defines price stability as increases in HICP of close to but just below 2%.

Investment sentiment in Germany rose more than expected in August, amid signs that the eurozone's recession may be coming to an end, a new survey found on Tuesday. The widely watched investor confidence index calculated by the ZEW economic institute rose by 5.7 points to 42.0 points in August, beating analysts' forecasts for an increase to about 40 points this month. "This is the highest reading since March 2013," ZEW said.

Industrial output in the 17-nation eurozone bounced back sharply in June, another pointer that the single currency bloc is finally edging out of recession. Eurozone industrial production in June output jumped 0.7% from May when it fell 0.2%. Compared with June 2012, the eurozone gained 0.3%. For the full 27-member EU, June output rose 0.9% from May when it dropped 0.4%. Compared with a year-earlier, EU industrial production added 0.4%.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5600	1.5300
Spot Ref:	1.5444	
Tenor:	2 weeks	
Date:	14 Aug 2013	
Time:	11:30 hrs	
Resistance / Support:	1.5632	1.5294
Commentary:		

- BoE sets out forward guidance; UK recovery broadening, still slow (Wed 07-Aug).
- UK inflation edges down in July but property prices pick up (Tue 13-Aug).
- BoE ties future rate rises to drop in unemployment to 7% (Wed 07-Aug).
- Britain's home buying aid scheme boosts new homes market (Tue 13-Aug).

The BoE plans to keep interest rates at a record low until unemployment falls to 7% - something unlikely for another three years - in a major new departure for British monetary policy. Barely a month after Canadian Mark Carney took over from the long-serving Mervyn King as Bank governor, the BoE said that it would keep interest rates at 0.5% unless inflation threatened to get out of control or there was a danger to financial stability. Unemployment is forecast to fall only slowly from its current level of 7.8% of the workforce, with the BoE expecting it to average 7.1% in the third quarter of 2016, the end of its forecast horizon.

The Bank said that growth was likely to be "weak by historical standards", even though economic recovery was "taking hold" and inflation was forecast to stay above its 2% target until the second half of 2015 based on market rate expectations. "Attempting to return inflation to the target too quickly risks prolonging the period over which the nation's resources are underutilised," the BoE said. Inflation is forecast to average 2.9% in Q4, close to its current level and a lower peak than previously thought.

British consumer price inflation eased slightly in July, helped by lower airfares and clothing costs, but there were further signs of price pressures building in the property market. The consumer price index fell to 2.8% last month, down from 2.9% in June, and in line with economists' forecasts. However house prices - which do not feed directly into the CPI measure - are rising rapidly. The RICS monthly survey pointed towards the biggest rise in house prices since 2006, and official data showed house prices rising faster than inflation at an annual 3.1%. Prices in the capital - which sometimes act as a leading indicator for the rest of the country - rose by 8.1%.

The British government said 10,000 new homes had been reserved under its 'Help to Buy' package, designed to boost the property market and encourage developers to build more houses. It provides a government equity loan that covers up to 20% of the property price and help buyers with a small deposit get access to mortgage financing.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9250	0.8850
Spot Ref:	0.9103	
Tenor:	2 weeks	
Date:	14 Aug 2013	
Time:	11:30 hrs	
Resistance / Support:	0.9266	0.8959
Commentary:		



- China industrial output jumps to 5-month high (Fri 09-Aug).
- Hourly pay rates up 0.7% in June quarter (Wed 14-Aug).

- Budget deficit unchanged at A\$30.1 billion (Tue 13-Aug).
- Consumer sentiment boosted by rate cut (Wed 14-Aug).

China's key industrial production growth accelerated to a 5-month high in July, the government announced, as data showed a positive outlook for the world's second-largest economy. Industrial production, which measures output at factories, workshops and mines, rose 9.7% year-on-year, well above expectations of 9.0%. Authorities also announced steady expansion in retail sales and fixed asset investment, and a benign inflation figure of 2.7% year-on-year in July, unchanged on last month.

The departments of Treasury and Finance expect the federal budget deficit to be A\$30.1 billion in 2013/14, unchanged from the government's own forecast. They released the Pre-election Economic and Fiscal Outlook (PEFO), which is an independent assessment of the current state of the budget and the economy. The federal government's economic statement released on August 2 forecast an A\$33 billion deterioration in budget revenue over the four years to 2016/17. It projected a larger budget deficit of A\$30.1 billion in this financial year, rather than the A\$18 billion shortfall forecast in the May budget.

Total hourly rates of pay, excluding bonuses, rose by a seasonally adjusted 0.7 per cent in the June quarter, official figures show. The wage price index rose 2.9% from a year earlier, the Australian Bureau of Statistics said on Wednesday. The median market forecast was for a rise of 0.7% in the June quarter. In the March quarter, the index rose by 0.7%. The index measures movement in underlying wages by calculating the change in wage and salary cost across a range of occupations.

Consumer sentiment has been boosted by the RBA's decision to cut the cash rate to a record low 2.5% in August. The Westpac Melbourne Institute Index of Consumer Sentiment rose by 3.5% in August to a reading of 105.7, almost 10% higher than its value a year ago. Westpac chief economist Bill Evans said the result was the highest since March, but was still 7% below the average in 2010, when households were becoming optimistic that the global financial crisis had passed. Before the latest interest rate decision was announced, the Index averaged 102.4, but after the announcement, was averaging 107.4, Mr Evans said. "This indicates that the rate cut is likely to have had a solid positive impact on sentiment," he said.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8150	0.7850
Spot Ref:	0.7973	
Tenor:	2 weeks	
Date:	14 Aug 2013	
Time:	11:30 hrs	
Resistance / Support:	0.8129	0.7813
Commentary:		



- PM John Key to make milk scare apology in China (Tue 13-Aug).
- NZ house prices down slightly in July (Mon 12-Aug).

- Surging Auckland home prices lead RBNZ to mull lending curbs (Mon 12-Aug).

NZ Foreign Minister Murray McCully will visit China next week as both sides deal with fallout from a contamination scare in the world's largest dairy exporter, Fonterra. Trade Minister Tim Groser will visit shortly after and PM John Key would visit once a report on the incident was finished. Dairy products are NZ's biggest foreign exchange earner, accounting for 28% of exports, where exports make up about a third of output. Fonterra accounts for about a third of the world's trade in dairy products.

NZ house prices eased in July, while number of houses sold increased. The REINZ's house price index fell 0.5% from June, to be 8.6% higher than the same month last year. The housing market has picked up since early last year, particularly in major cities of Auckland and Christchurch, with mortgage rates at multi-decade lows and an improving economy. REINZ said the market had been more active than would be expected in winter, which may be tied to expectations RBNZ will move to cool the market.

Prices in New Zealand's largest city have already surpassed four of New York's five boroughs with an average of NZ\$768,664 last month. While short of Manhattan levels, prices are rising 13% a year. That's why the central bank is set to join counterparts from Sweden to Canada in limiting mortgages. It wants to damp the booming housing market without raising interest rates and denting the nation's economic recovery. The RBA has been looking at introducing the restrictions as part of its new macro-prudential tools to help cool asset bubbles, and as property markets in Auckland and Christchurch are spurred by a lack of housing supply.



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