



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3550	1.3250
Spot Ref:	1.3395	
Tenor:	2 weeks	
Date:	28 Aug 2013	
Time:	10:30 hrs	
Resistance / Support:	1.3500	1.3257
Commentary:		

- Eurozone activity picks up sharply in August: PMI (Thu 22-Aug).
- Eurozone consumer confidence rises to 2-year high (Fri 23-Aug).
- Greece may need new bailout of €10 billion (Mon 26-Aug).
- German business confidence rises to highest in 16 months (Tue 27-Aug).

The Markit Eurozone Composite PMI jumped to 51.7 points for August from 50.5 in July, hitting a 26-month high point as the economy climbed out of a record recession. Markit said its separate PMI for the services sector - which accounts for the bulk of economic activity - rose to 51 in August for a 24-month high, from 49.8 in July.

Confidence among consumers in the eurozone rose in August to the highest level in over two years, suggesting modest increases in household spending that could help support an economic recovery that began in Q2. The EC said Friday its early estimate of consumer confidence in the 17-nation eurozone rose in August to -15.6 from -17.4, the highest level since July 2011 and beating expectations of a Dow Jones poll of economists. Confidence has risen consistently for nine months.

Greek Finance Minister Yannis Stournaras says if Greece required a new bailout in 2014, it would be a "much smaller" package of around €10 billion with no austerity conditions attached. German Chancellor Angela Merkel in an interview warned that a Greek debt write-down could spark a "domino effect of uncertainty" and scare off investors in the eurozone. Mrs Merkel said Greece's debt and structural reforms would again be studied in 2014, as planned. Mrs Merkel faces elections for a third term on September 22 and the issue of Greece could prove contentious as German taxpayers feel they have already stumped up the lion's share of European bailouts.

German business confidence rose to the highest level in 16 months in August, beating forecasts and indicating that the recovery in Europe's largest economy is gathering pace. The IFO business climate index climbed to 107.5 from 106.2 in July. That's the highest since April 2012. Economists predicted an increase to 107. Businesses' evaluation of the current situation climbed to 112 in August from 110.1, while an assessment of expectations rose to 103.3 from 102.4. German companies' assessment of construction activity dropped to -4.2 in August from -1.5 the prior month. A gauge of manufacturing rose to 11.1 from 7.9 and a wholesale index increased to 7.7 from -0.2.

The rising tension stemming from Syria overshadowed the impact from positive data from the eurozone on the euro. IFO beat expectations with both the current assessment and forward-looking expectations better than expected. However, the effect was lost in the general safe haven rally, taking euro down to a low of US\$1.3322.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5750	1.5400
Spot Ref:	1.5542	
Tenor:	2 weeks	
Date:	28 Aug 2013	
Time:	10:30 hrs	
Resistance / Support:	1.5700	1.5413
Commentary:		

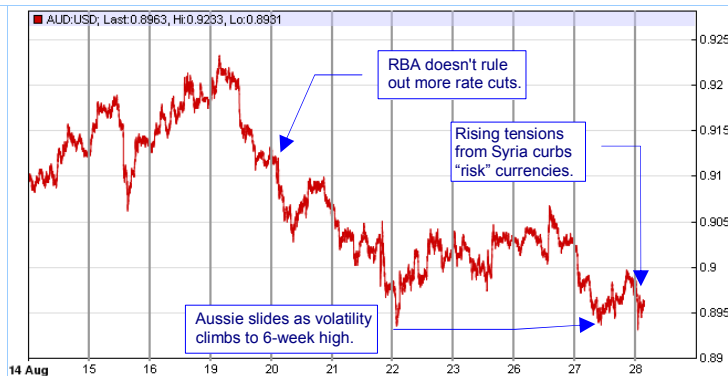
- UK Q2 GDP growth accelerates to 0.7% quarter-on-quarter (Fri 23-Aug).
- BoE's Bean says can't see signs of housing boom emerging in UK (Mon 26-Aug).
- Carney's maiden BoE speech to confront forward guidance sceptics (due on Wed 28-Aug, 8:45pm SGT).

UK economic growth accelerated more than initially estimated in Q2, helped by construction and manufacturing and a boost from trade. GDP increased 0.7% from Q1, when it rose 0.3%, the ONS said Friday. That compared with an initial estimate of 0.6% published on July 25. Exports rose the most in more than a year and net trade contributed 0.3% to GDP. Compared to a year ago, the economy grew 1.5% in Q2.

BoE Deputy Governor Charlie Bean said he isn't worried the UK housing market is poised to suffer a new bubble. "We wouldn't want to see a house price boom emerging which would have potential problems further down the road," Bean said in an interview with Bloomberg News. "I can't say we see signs of that at the moment. At this stage, you certainly wouldn't say there's a problem." As the economy shows signs of recovering, Bean said the BoE is seeking to send a "clear signal" it won't increase interest rates anytime soon as he acknowledged some surprise at the response of investors to that message.

Mark Carney's first policy speech as BoE governor is his chance to address investor doubts that he can keep interest rates on hold at a record low until at least late 2016. Carney introduced so-called forward guidance this month to prevent a pickup in borrowing costs from undermining the economic recovery. Since then, investors have begun raising bets on higher rates before 2016 and pushed up gilt yields. Carney will address business leaders today, and hold a news conference after the event.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9200 0.8800  
 Spot Ref: 0.8963  
 Tenor: 2 weeks  
 Date: 28 Aug 2013  
 Time: 10:30 hrs  
 Resistance / Support: 0.9185 0.8846  
 Commentary:



- Upbeat China August flash HSBC PMI points to stabilising growth (Thu 22-Aug).
- Aussie slides versus peers as volatility climbs to 6-week high (Tue 27-Aug).
- Australian bond prices firm over Syria concerns (Wed 28-Aug).
- Construction work down 0.3% in June quarter (Wed 28-Aug).

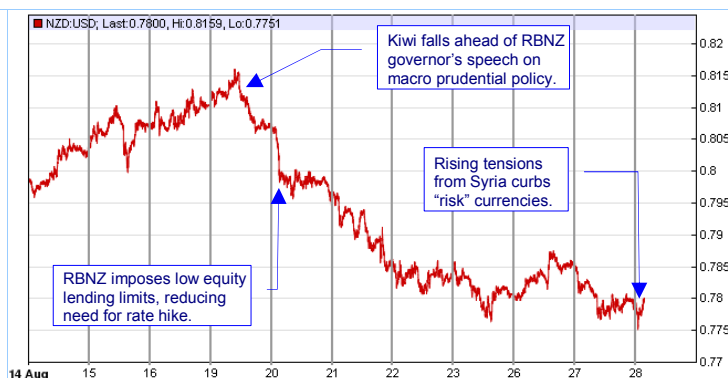
Activity in China's vast manufacturing sector hit a four-month high in August as new orders rebounded, a preliminary private survey by Markit Economics Research showed last Thursday, reinforcing signs of stabilisation in the world's second-largest economy. The Flash HSBC PMI rose to 50.1 from July's final reading of 47.7, which was the weakest in 11 months. The government has announced a series of targeted measures to support the slowing economy, including scrapping taxes for small firms, offering more help for ailing exporters and boosting investment in urban infrastructure and railways. The Aussie dollar rose strongly at the news.

The Australian dollar slid versus all 16 major counterparts as volatility headed for the highest close in six weeks, damping demand for the currency. One-month volatility for the Aussie jumped 68 basis points this week to 13.03% on Tuesday, set for the highest close since July 16. The Fed currently buys US\$85 billion of debt a month to bolster growth. It will reduce its purchases at its next meeting on September 17-18, according to 65% of economists in an August 9-13 Bloomberg survey. The Aussie has fallen 11% this year, the worst performer among 10 developed-nation currencies tracked by Bloomberg Correlation-Weighted Indexes. Its kiwi peer has declined 1.7%.

Australian bond futures prices have risen as tensions build ahead of a possible US air or missile strike on Syria. The US has warned Syria that it would be held accountable over the chemical weapons attack on its civilians. The September 10-year bond futures contract was trading at 96.135 (3.865%), up from 96.065 (3.935%) on Tuesday.

The amount of construction work done in Australia fell 0.3% in the June quarter against expectations by economists for a 1% rise. According to the ABS, over the year to June, the volume of construction work done was down 0.9%. Total building work done in the June quarter, including homes and non-residential buildings like offices and shops, fell 0.6% from the March quarter. Engineering work done, which includes mines, roads, bridges and the like, was down 0.2% in the quarter.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8000 0.7600  
 Spot Ref: 0.7800  
 Tenor: 2 weeks  
 Date: 28 Aug 2013  
 Time: 10:30 hrs  
 Resistance / Support: 0.8050 0.7611  
 Commentary:



- NZ posts wider-than-forecast trade gap as imports surge (Mon 26-Aug).
- Demand for NZ bonds hits record (Tue 27-Aug).
- Fonterra lifts forecast payout again (Tue 27-Aug).

NZ posted its widest trade deficit since September as imports neared a five-year high on purchases of helicopters, machinery and crude oil. Imports exceeded exports by NZ\$774 million in July, StatsNZ said Monday. The median forecast was for a NZ\$16 million deficit. The kiwi fell as exports also declined from a year ago. RBNZ Governor Graeme Wheeler last week said the kiwi was over-valued and continued to pose a headwind to exports. Imports rose 17% from a year earlier to NZ\$4.62 billion. Economists expected imports of NZ\$3.9 billion. Exports fell 4.8% from a year earlier, led by dairy products. The volume of milk powder, butter and cheese dropped 37%.

Fonterra has given dairy farmers something to smile about with another lift in its forecast payout for the 2014 season. The co-operative said its forecast farm-gate milk price would be NZ\$7.80 per kg of milk solids, 30 cents higher than its previous forecast. Added to a forecast dividend of 32 cents a share, the total cash payout is now forecast at \$8.12. The two most recent GDT (GlobalDairyTrade) events have seen prices hold, and significant volumes sold. These factors have contributed to our updated forecast," Chairman John Wilson said. The forecast payout increase follows a 50 cents/kg increase announced last month.

NZ has become a prime destination for global investors in recent years given that its local bond market has offered a significant yield premium to Treasuries, in spite of the country's high Aaa/AA/AA credit rating. The average premium offered by 10-year NZ government bonds over US Treasuries with the same maturity has ranged from 190bp to 250bp. Government bond issuance is forecast to shrink to NZ\$10 billion in the fiscal year that began on July 1. That is a big drop from the NZ\$19.5 billion issued in fiscal year 2010-2011 as reconstruction costs mounted after the Canterbury and Christchurch earthquakes. Foreigners owned 67.9% of NZ government bonds in July 2013.



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