



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3750	1.3500
Spot Ref:	1.3623	
Tenor:	2 weeks	
Date:	08 Jan 2014	
Time:	11:30 hrs	
Resistance / Support:	1.3706	1.3550
Commentary:		

- Eurozone manufacturing ends year on a high (Thu 02-Jan).
- German unemployment falls unexpectedly in December (Tue 07-Jan).
- Eurozone inflation slows to 0.8% as economy strains to grow (Tue 07-Jan).
- ECB expected to hold rates amid deflation worries (Thu 09-Jan, 20:45 hrs SGT).

The final December eurozone manufacturing PMI rose to 52.7, unchanged from the preliminary reading and up from November's 51.6, expanding for a third straight month in December, despite further weakness in France. The rise was supported by healthy performances in Germany, Italy and the Netherlands, while Greece posted a more than 4-year high reading of 49.6 in December. The gain is supported by a broad-based increase across the eurozone, with new orders rising to a 2½-year high, Markit said.

Eurozone inflation slowed in December, retreating farther from the ECB's ceiling as the 18-nation currency bloc struggled to strengthen its recovery from a record-long recession. The annual rate dipped to 0.8% from 0.9% in November, the EU's statistics office said in a preliminary estimate Tuesday. That's in line with the median forecast in a Bloomberg survey. The rate has been below the ECB's 2% ceiling for 11 months, and sank to a four-year low of 0.7% in October. Energy prices stagnated in December after a 1.1% fall the previous month. Prices of alcohol, food and tobacco climbed 1.8%, following a 1.6% rise in November. The cost of services increased 1% after a 1.4% jump. The core inflation rate declined to 0.7% in December from 0.9%. Economists had forecast a drop to 0.8%.

German unemployment unexpectedly fell in December on a seasonally adjusted basis, the first drop since July, the Labour Office said on Tuesday, bolstering hopes that domestic consumption could lift growth in Europe's biggest economy. The number of people out of work fell by 15,000 to 2,965 million, the biggest decrease in two years, compared to a consensus of no change in a Reuters poll. The jobless rate held steady at 6.9%, close to its lowest level since Germany reunified more than two decades ago. Some of Germany's economic institutes have also warned that plans by Merkel's new government to introduce a minimum wage may cause long-term job losses.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6600	1.6300
Spot Ref:	1.6393	
Tenor:	2 weeks	
Date:	08 Jan 2014	
Time:	11:30 hrs	
Resistance / Support:	1.6600	1.6335
Commentary:		

- Pound strengthens against majors in 2013 on UK growth signs (Tue 31-Dec).
- UK prices rose 1.4% in December: Halifax (Thu 02-Jan).
- UK services sector growth slows, but still outpaces eurozone average (Mon 06-Jan)
- House prices rise in 75% of postcodes: Hometrack (Mon 30-Dec).
- UK reviving faster than neighbours credit-wise (Thu 02-Jan).
- BoE may change threshold for interest rate move (Thu 09-Jan, 20:00 hrs SGT).

Sterling has appreciated versus 13 of its 16 major counterparts in 2013 amid speculation strength in the housing market will support the economic recovery. BoE policy makers will likely keep rates unchanged tomorrow (9-Jan) after pledging in December to keep borrowing costs low until unemployment, currently at 7.4%, falls below 7%. Unemployment has fallen sharply as the recovery gained traction, meaning the threshold could be reached far sooner, than originally anticipated (2016). As a result, the BoE is likely to modify its forward guidance policy – lowering the threshold to 6.5% – most likely at the February inflation report.

While 75% of postcodes registered price gains over the year, 15% saw prices edge down and 10% were unchanged. This marks a sharp turnaround compared with 2012, when just 20% recorded price increases. On average, house prices grew by 4.4% during 2013 as the housing market revival took hold, following a 0.3% drop during 2012.

Investor perceptions of UK creditworthiness are improving faster than almost every country in Europe as the economic recovery strengthens. Its credit default swaps are down 42% in 6 months, a bigger drop than most others. The UK economy will expand 2.4% this year, more than twice as much as the euro area, according to Bloomberg surveys of economists last month. Chancellor of the Exchequer George Osborne upgraded Britain's growth and fiscal forecasts in December as S&P affirmed the UK's AAA rating, while stripping the EU of its top grade. There's been a dramatic turnaround in UK growth expectations and with it projections for reduced government deficit.

Britain's services sector maintained its year-long surge in output during December as businesses reported a rise in confidence for the coming year. The rise in activity was a little weaker than the previous month and the pace of growth was slowest since June, but still outstripped the eurozone average and especially France, which suffered a second successive month of falling services output – and at an accelerating rate. The Markit/CIPS services index registered a level of 58.8, down from 60 in November.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.9000	0.8800
Spot Ref:	0.8921	
Tenor:	2 weeks	
Date:	08 Jan 2014	
Time:	11:30 hrs	
Resistance / Support:	0.9005	0.8820

- China's official December manufacturing PMI slips to 4-month low (Wed 01-Jan).
- Business expectations at a one-year high (Tue 07-Jan).
- Australian home prices climb 9.8% in 2013 (Thu 02-Jan).
- Australia November trade balance stays in deficit (Tue 07-Jan).

China's manufacturing PMI was at 51, a 4-month low, the NBS and China's logistics federation said last Wednesday. That was less than the 51.2 estimate and November's 51.4. The final HSBC/Markit manufacturing PMI released on Thursday, slipped to 50.5 in December from 50.8 in November, unchanged from a preliminary reading. China's factory activity expanded at a slower pace in December, weighed down by shrinking export orders, consistent with views the economy's growth rate has moderated in Q4.

Aussie house prices rose 1.4% in December, resulting in a total increase of 9.8% during 2013. According to RP Data, house prices rose in every capital city over the last year, with growth the strongest in Sydney, where the median house price increased 14.5% to A\$655,250. The average Australian capital city house price was A\$575,000, while the average unit price was A\$480,000. The weakest growth was seen in Hobart, where house prices still increased 2.2% to a median price of A\$330,000. A low inflation environment, strong population growth and pent up demand for housing contributed to the considerable lift in house prices, as well as record low interest rates.

The majority of Australian businesses are more upbeat about growth in 2014 than they were last year with business expectations rising to a one-year high. Q1 expectations for sales, profits, selling prices, investment and employment reached their highest levels in 12 months, the latest Dun & Bradstreet Business Expectations Survey shows. The survey showed that 68% of businesses were more optimistic about growth this year compared to last year, with 18% of them planning to access new finance in the next three months to grow their operations. Employment expectations rose to a three-year high with 15% of businesses saying they intended to hire more staff.

Australia's trade balance stayed in the red in November, with a deficit of A\$118 million, official figures show. That followed a deficit of A\$358 million in October, the ABS said on Tuesday. Economists had expected a deficit of A\$300 million in November. During the month, exports were flat, while imports were down 1%.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8350	0.8150
Spot Ref:	0.8269	
Tenor:	2 weeks	
Date:	08 Jan 2014	
Time:	11:30 hrs	
Resistance / Support:	0.8317	0.8243

- NZ dollar may weaken in Q1, offering relief to seasonal exporters (Tue 07-Jan).
- Small business confidence soars: ANZ Quarterly Survey (Wed 08-Jan).
- NZ will be the "rock star" economy of 2014, says HSBC (Tue 07-Jan).

The New Zealand dollar may weaken in the first quarter of 2014, benefiting seasonal commodity exporters gearing up for the harvest, such as onion growers. The kiwi, which recently traded at 82.88 US cents, is likely to slip to 81.50 cents by the end of March, according to the median forecast of 11 currency traders and strategists in BusinessDesk's quarterly survey of the New Zealand dollar. The New Zealand dollar is predicted to decline in the first quarter on the expectation markets have already priced in local interest rate hikes and as a reduction in the Federal Reserve's stimulus programme boosts the greenback against most major currencies.

HSBC chief economist for Australia and New Zealand Paul Bloxham says New Zealand's growth is set to outpace most of its developed markets peers. "We think New Zealand will be the rock star economy of 2014", Bloxham told CNBC on Monday. "Growth is going to pick up pretty solidly this year". HSBC forecast the Kiwi economy would grow 3.4% in 2014, the fastest pace since 2007 and well above trend growth of 2.5%. It was expected to post growth of 3% for 2013.

A record wave of business activity is set to sweep across NZ in 2014, driven by a swell of optimism from the South Island, according to a quarterly ANZ survey of small firms. Retailing, agriculture and manufacturing were leading a lift in optimism which had resulted in firms' expectations of their own activity, hiring and profitability for the coming year to soar to new highs. Construction and agriculture were caught in the tailwind of the Canterbury rebuild and increasing commodity prices. The rising confidence was paving the way for a broad-based uplift in business activity, employment and economic growth. Confidence in Canterbury was at a net 27%, compared to 21% the previous quarter. That confidence was spilling into the rest of the South Island where small business confidence had grown to 30% from 21% the previous quarter.



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