



UOB Personal Financial Services
Deposits, Investments & Insurance Strategy
Research & Product Advisory

Wednesday, 22 January 2014

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3750	1.3450
Spot Ref:	1.3570	
Tenor:	2 weeks	
Date:	22 Jan 2014	
Time:	11:00 hrs	
Resistance / Support:	1.3650	1.3510

Commentary:

- Dismal US job numbers sink the dollar; just 74,000 new jobs in Dec (Fri 10-Jan).
- Germany's ZEW investor confidence unexpectedly falls (Tue 21-Jan).
- Dollar up broadly as week's data outweigh US jobs shock (Fri 17-Jan).
- IMF warns of risk of deflation in the euro area (Tue 21-Jan).

The US dollar gained against most rivals last Friday, as a week of data reassured investors that December's dismal US employment report wasn't indicative of a broader shift in the economy. The economy last month added just 74,000 jobs, the smallest gain in three years. On Friday, data showed construction on new homes fell 9.8% in December to an annual rate of 999,000. Economists had factored cold weather into their forecasts, calling for a decline to a rate of 985,000. Overall, new-home construction starts last year hit the highest level since 2007. Separately, industrial production grew 0.3% in December, in line with expectations.

German investor confidence unexpectedly fell for the first time in six months, signalling caution over the outlook for the euro area's economic recovery. The ZEW Centre for European Economic Research said its index of investor and analyst expectations, which aims to predict economic developments six months in advance, slid to 61.7 in January from a seven-year high of 62 in December. Economists predicted an increase to 64, according to the median of 40 estimates in a Bloomberg News survey. ZEW's gauge of the current situation rose to 41.2 in January from 32.4 the prior month, ZEW said. A measure of expectations for the euro area climbed to 73.3 from 68.3.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6600	1.6300
Spot Ref:	1.6483	
Tenor:	2 weeks	
Date:	22 Jan 2014	
Time:	11:00 hrs	
Resistance / Support:	1.6520	1.6335

Commentary:

- Mark Carney plays down fears of UK housing bubble (Wed 15-Jan).
- London job vacancies fell 42% in December, Recruiter says (Mon 20-Jan).
- Pound rises as IMF boosts UK forecast more than any G-7 nation (Tue 21-Jan).
- UK retail sales beat forecasts with record Christmas increase (Fri 17-Jan).
- London property-market cools after 2013 surge (Mon 20-Jan).
- BoE minutes may trigger rally in sterling (due on Wed 22-Jan, 17:30 hrs SGT).

BoE governor Mark Carney has played down the threat of a UK housing bubble as the RICS warned house price rises could become unsustainable in some areas. Carney told the Treasury committee that Britain's rising market was not currently a threat to financial stability, because mortgage approvals and sales were picking up from low levels during the financial crisis. Also, the BoE was monitoring the government's Help to Buy scheme but stressed it was modest in scale compared with the overall market.

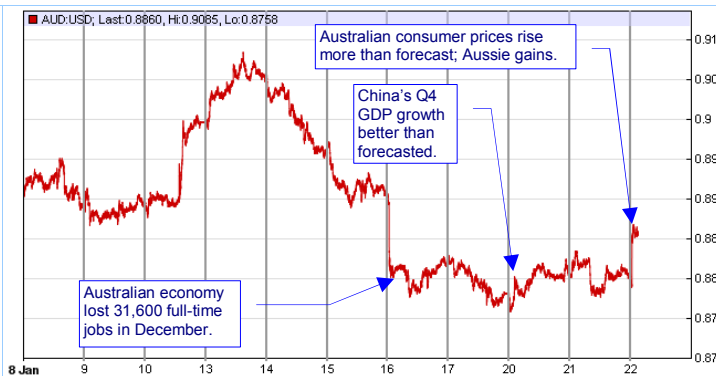
UK retail sales rose more than economists forecast in December, led by a surge at department stores and smaller shops during the key Christmas season. Sales including fuel increased 2.6% from November. That's the strongest December since records began in 1996. The median forecast was for a 0.3% gain last month. Department stores posted a record 8.7% increase in sales. From a year earlier, retail sales rose 5.3% in December, the most in nine years. Excluding auto fuel, retail sales increased 2.8% in December from November and were up 6.1% compared with a year earlier. Internet sales accounted for 11.8% of all retail sales in December, up from 10.9% a year ago.

London house-price growth slowed in January after the best year since 2006 as values slid in the most expensive districts of Westminster and Kensington and Chelsea. Rightmove said. Asking prices in the UK capital increased 0.2% to £514,704, after growing 10.6% last year, the operator of Britain's biggest property website said. Values in Westminster slid 8.3%, while those in Kensington dropped 6.9%. From a year earlier, UK asking prices for homes rose 6.3% in January, the highest annual rate since November 2007. London's values increased 7% in the same period.

Positive developments coming out of the UK economy raises the BoE scope to normalise monetary policy ahead of schedule. A more hawkish policy statement may spark a near-term rally in the pound and Governor Mark Carney may show a greater willingness to raise the benchmark interest rate later this year as jobless claims are projected to contract another 32K in December. MPC board member Ben Broadbent emphasised last week that unemployment is falling faster than the BoE expected, but markets are expecting that the BoE will implement a dovish twist to its forward-guidance in order to preserve its highly accommodative policy stance for an extended period of time.

Britain's economy will expand 2.4% in 2014 and 2.2% in 2015, the IMF said in its World Economic Outlook update, compared with October growth forecasts of 1.9% and 2%. The pound climbed after the IMF boosted UK growth forecast by more than any other G7 nation, plus an expectation for further strong UK employment data ahead.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9000 0.8750
 Spot Ref: 0.8860
 Tenor: 2 weeks
 Date: 22 Jan 2014
 Time: 11:00 hrs
 Resistance / Support: 0.9005 0.8755
 Commentary:



- Aussie falls on weak jobs data; 31,600 full-time jobs lost in December (Thu 16-Jan).
- Rising unemployment hits Aussie confidence (Wed 22-Jan).
- China's GDP grew 7.7% y/y in 4Q, beating expectations of 7.6% (Mon 20-Jan).
- Australia Q4 inflation up 2.7% y/y, above forecast; Aussie gains (Wed 22-Jan).

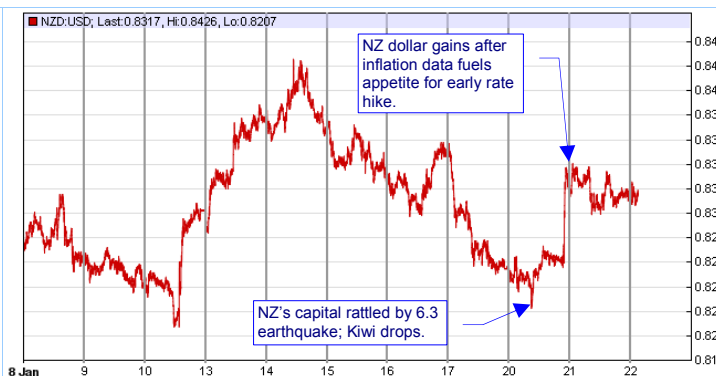
Weak jobs growth in 2013 will ensure the RBA keeps an open mind about the possibility of cutting the cash rate again. Unemployment remained steady at 5.8% in December, in line with economists' forecasts. But the total number of people with jobs fell 22,600. The number of people with full-time jobs fell 31,600 to 8.068 million while part-time employment rose by 9,000 to 3.562 million, the ABS said last Thursday. The employment participation rate fell 0.2% to a near eight-year low of 64.6%. The decline in the participation rate appears to be a demographic problem, as the bulging baby boomer market shifts into retirement.

The Aussie rose back above US\$0.88 after the release of a string of Chinese economic data. The Q4 GDP report showed output grew 7.7% year-on-year, beating calls for a 7.6% outcome. For the full year, China's economy expanded 7.7% in 2013, the same rate as in 2012, but below that of the 9.3% pace seen in 2011. The slowing momentum is also reflected in the seasonally adjusted figure, which slowed to 1.8%q/q from 2.2%q/q in Q3, but consistent with the trend seen in the first half of 2013.

Australia's rising jobless rate is chipping away at consumer confidence. Confidence fell by 1.7 from 105.0 in December to 103.3 in January, according to the Westpac Melbourne Institute Index of Consumer Sentiment. The index is at its lowest level since July 2013. The survey's Unemployment Expectations Index increased by 0.7%, following a 4.6% rise in December. Higher readings mean more consumers expect unemployment to rise in the year ahead.

Australia's consumer prices gained more than economists forecast in Q4, indicating the RBA may be reluctant to reduce interest rates further. The trimmed mean gauge of core prices rose 0.9% from Q3, compared with the median forecast for a 0.6% gain. The CPI advanced 0.8% from Q3, double economists' forecast for a 0.4% increase. The lower Aussie dollar has pushed up import prices, passing through to higher nationwide prices. The Aussie currency rose as investors pared bets RBA Governor Glenn Stevens will lower the record-low 2.5% benchmark rate any further. The CPI increased 2.7% in Q4 from a year ago compared with median forecast for a 2.4% increase.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8450 0.8250
 Spot Ref: 0.8317
 Tenor: 2 weeks
 Date: 22 Jan 2014
 Time: 11:00 hrs
 Resistance / Support: 0.8445 0.8243
 Commentary:



- NZ employment confidence rises in Q4, wary on wages (Mon 20-Jan).
- NZ inflation unexpectedly rose in Q4 from higher airfares, housing (Tue 21-Jan).
- Auckland's homes among world's most pricey (Mon 20-Jan).
- NZ dollar gains after inflation data fuels appetite for early rate hike (Tue 21-Jan).

The Westpac McDermott Miller employment confidence index rose to 103.4 in Q4, up from 102.8 in Q3. A number of more than 100 indicates optimism, while below 100 indicates pessimism. Although the figure rose slightly, the index remains well below its levels of more than 130 in 2007. Westpac senior economist Michael Gordon said some of the caution on labour market conditions was due to those already in work. Low inflation tends to be followed by low wage growth.

Auckland's houses are more unaffordable than those in London or Los Angeles. An average house in Auckland will cost eight times more than the average household income, making it the seventh least affordable housing market of the 85 major markets ranked, says a new study published on Monday. The median house price was up by NZ\$54,900 to NZ\$561,700, while the median household income was down NZ\$4,700 to NZ\$70,600, says the Demographic International Housing Affordability Survey's study for Q3 of 2013. Auckland has been rated severely unaffordable for all 10 years of the survey - a distinction shared only with Australia's major markets.

NZ inflation unexpectedly edged higher in Q4 of 2013, led by more expensive airfares, housing and dairy prices. The CPI increased 0.1% in Q4, slowing from a quarterly increase of 0.9% in Q3, according to StatsNZ. That was against a forecast decline of 0.1% by economists and the RBNZ's expectation of a 0.2% fall. The annual pace of inflation was 1.6%, its fastest since March 2012 and slightly ahead of forecasts. The increase was underpinned by a 12% rise in the price of international airfares, the biggest quarterly gain in four years, and a 6.7% increase in domestic flights. The kiwi dollar rose on speculation the RBNZ may hike interest rates as early as next week.



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