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## NEWS RELEASE

### **UOB forecasts Singapore - US foreign exchange rate to weaken over next 12 months**

**SINGAPORE, 17 July 2012** – United Overseas Bank (UOB) today said that the ongoing debt crisis in Europe and the weak US economy could also result in a more volatile Singapore dollar (SGD) over the next 12 months.

Mr Jimmy Koh, Head of Research and Investor Relations, UOB Group, said “Singapore is an open economy which means the Singapore dollar is sensitive to financial shocks in the global system. We expect it to move in the \$1.33 to \$1.26 range over the next 12 months. In this volatile environment, investors will face increased foreign currency risk on their investments and financing options and they should look at what hedging options are available to them to manage their exposure.”

The Bank also forecasts that Singapore’s economic growth will moderate to 2.5% in 2012, compared with 4.9% in 2011. It expects Singapore’s inflation rate to cool from 4.7% in the second quarter of 2012 to 3.2% by the year’s end. For the full-year, Singapore’s inflation is expected to moderate to 4.0% from 5.2% in 2011.

“The key risks facing Asian economies for the remainder of the year are how politics elsewhere, for instance the US Presidential elections, will impact policy decisions around the world,” Mr Koh said. “The Eurozone is in the position of facing the triple threat of debt, deflation and de-leveraging, all at the same time. The US and China are both grappling with domestic concerns. All of these issues have the potential to impact Asia’s growth prospects. However, while there is risk that Asia’s economies will slow down, they remain resilient due to the lessons taken from previous crises and should be able to weather through these global issues.”

## **Investment outlook in the second half of 2012**

With markets still uncertain about the full impact of the Eurozone debt crisis and that of the US economic slowdown on the global economy, UOB Asset Management (UOBAM) is advising investors to maintain an asset allocation strategy whereby 55% is focused on equities, 38% on fixed income, 2% on cash and 5% on commodities. UOBAM also advises to maintain a neutral investment position between equities and bonds.

Mr Anthony Raza, Head of Multi-Asset Strategy, UOBAM said, "It is not the time for investors to be either overly aggressive or conservative, given the uncertain global environment. Adopting a neutral position will give investors the flexibility they need to adjust their portfolio and seize investment opportunities when more clarity is shed on markets in the next quarter.

"As economic indicators have weakened considerably over the past quarter, the third quarter of 2012 will be a critical period for markets and investors. While long-term expected returns in equities are offering attractive returns, they come with higher volatility risks. This is in contrast to fixed income investments that offer lower but more stable returns."

Although investors are facing an uncertain economic outlook in the next quarter, UOBAM has identified key asset classes on which investors can focus. These include Asian and Global Emerging Market bonds and precious metal commodities such as gold.

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**About United Overseas Bank**

United Overseas Bank Limited (UOB) is a leading bank in Asia. It provides a wide range of financial services through its global network of over 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

UOB plays an active role in the community, focusing on children, education and the arts. Its staff volunteerism programme was initiated in 2007. Through the UOB Heartbeat Run/Walk, UOB has raised funds for its named beneficiaries. UOB has also organised the prestigious Painting Of The Year Competition and Exhibition since 1982. In recognition of its contributions to the arts, UOB has been conferred the National Arts Council's Distinguished Patron of the Arts Award for the sixth consecutive year.

**About UOB Asset Management Ltd**

UOBAM is a wholly-owned subsidiary of UOB. Established in 1986, UOBAM has been managing collective investment schemes and discretionary funds in Singapore for more than 25 years and as of 29 February 2012, manages about S\$18.67 billion in clients' assets. UOBAM also has investment operations in Malaysia and Thailand.

UOBAM offers global investment management expertise to institutions, corporations and individuals, through customised portfolio management services and unit trusts. As at 29 February 2012, UOBAM manages 54 unit trusts in Singapore, with total assets of about S\$3.57 billion under management. UOBAM is one of the largest unit trust managers in Singapore in terms of assets under management.

For more information, please visit UOBAM website: [uobam.com.sg](http://uobam.com.sg)

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