



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3150	1.2800
Spot Ref:	1.2954	
Tenor:	2 weeks	
Date:	17 Sep 2014	
Time:	11:05 hrs	
Resistance / Support:	1.3103	1.2815

Commentary:

- Draghi says investment rebound needs reform and stimulus (Thu 11-Sep).
- German investor sentiment falls ninth month in a row: ZEW survey (Tue 16-Sep).
- Eurozone trade surplus rises in July on growing exports (Mon 15-Sep).
- Eurozone Q2 labour costs jump despite stalling economy (Tue 16-Sep).

ECB President Mario Draghi said that structural, fiscal and monetary policies need go hand in hand for the eurozone to reap the investment return and "efforts should be focused on jump-starting investment". He urged governments to find space to support productive investment, and achieve a more growth-friendly composition of fiscal policies. He reiterated that the ECB is prepared to take new measures if needed in order to meet price stability mandate, and the new measures will have a sizeable impact on ECB balance sheet. The first allotment of a four-year bank-funding scheme tied to loans to the real economy, the TLTRO, takes place on September 18, the first step in Draghi's stated aim of pushing the ECB's balance sheet back toward €2.7 trillion from the current level of €2 trillion through purchases of ABS and covered bonds.

The eurozone's trade surplus rose year-on-year in July as exports grew faster than imports, pointing to a positive contribution to economic growth at the start of Q3, Eurostat data showed. Eurostat said the non-seasonally adjusted external trade surplus of the 18 countries sharing the euro was €21.2 billion in July, up from 18.0 billion in July 2013. Exports increased 3% year-on-year while imports only 1%. Adjusted for seasonal swings, however, and on a month-on-month basis, exports edged 0.2% lower in July against June while imports rose 0.9%. The seasonally adjusted trade balance was a €12.2 billion surplus, down from €13.8 billion in June and €15.2 billion in May.

The German September ZEW survey fell for the ninth month in a row as the expectations indicator declined by 1.7 points to 6.9 points (from 8.6 in August) although this was better than the projected decline to 5.0. The sub-index measuring financial market players' view of the current economic situation in Germany fell sharply to 25.4 points in September, from 44.3 in August. The eurozone Q2 labour costs grew by 1.2%/y up from a downwardly revised 0.6% in Q1.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6400	1.5950
Spot Ref:	1.6261	
Tenor:	2 weeks	
Date:	17 Sep 2014	
Time:	11:05 hrs	
Resistance / Support:	1.6400	1.5950

Commentary:

- Independent Scotland might need big currency reserves: BoE (Wed 10-Sep).
- UK inflation slides to 1.5% as expected – GBP/USD remains weak (Tue 16-Sep).
- UK construction output flat in July as house-building slows (Fri 12-Sep).
- UK house price growth hits seven-year high (Tue 16-Sep).

An independent Scotland would need big stockpiles of sterling if the country adopted the pound without an agreement with the rest of the UK, BoE Governor Mark Carney said last Wednesday. Scotland's future currency arrangements are a disputed topic in the run-up to the September 18 referendum over whether to dissolve the 307-year-old union. Scottish National Party leader Alex Salmond has said he wants to retain sterling, but leaders of Britain's other main political parties have said they will not allow this. Carney said Scotland might need to set aside money of around £130 billion, to guarantee bank deposits and be a credible lender of last resort.

British construction output stagnated in July, causing the annual growth rate to sink to an eight-month low as rapid expansion in private house building started to level off. Construction output was **unchanged** on the month in July, compared with growth of 1.2% in June, the ONS said. On an annual basis, output rose 2.6% in July, the slowest rate of growth since November and down from June's three-month high of 5.3%. On a three-monthly basis, construction output was up 0.6%, compared to a flat output in the three months to June. A recovery in housing which started late last year had been a major driver of construction growth in 2014 but is now showing signs of tailing off.

No surprises: UK CPI slides to 1.5% y/y, as expected. Other figures are mixed: Core CPI rises to 1.9% and the RPI slides to 2.4%. UK headline inflation was expected to slide to 1.5% y/y in August from the disappointing 1.6% in July. The RPI carried predictions for a rise of 2.5% y/y, like last month. Core CPI was predicted to stay at 1.8%. The PPI Input was expected to rise 0.1% m/m and PPI Output to slide by 0.1%. The actual numbers are a slide of 0.6% in PPI Input and a slide of 0.1% in PPI Output. The focus for the UK this week is the referendum on Scottish independence due on Thursday with polls showing it is too close to call, but there is a tendency towards a No vote.

The ONS said house prices in UK rose 11.7% in the year to July from 10.2% in June. Some other surveys since then have suggested the rapid pace of house price growth has started to cool. In London, which led house surging house price growth earlier this year, property prices rose 19.1% on the year, down slightly from 19.3% in June.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9300 0.8950
 Spot Ref: 0.9066
 Tenor: 2 weeks
 Date: 17 Sep 2014
 Time: 11:05 hrs
 Resistance / Support: 0.9311 0.8942
 Commentary:



- Australia jobs rise 121,000; largest on record in huge surprise (Thu 11-Sep).
- Sydney's hot housing speculators spark RBA alarm at fallout risk (Tue 16-Sep).
- Economists doubt big jump in Australian employment figures (Fri 12-Sep).

Australian employment surged by the most on record in August and far beyond the most optimistic forecast, on the face of it a stunningly strong report that should calm recent concerns about the health of the economy. The markets are virtually pricing out the chance of a rate cut as data from the ABS showed 121,000 jobs were created in August. That was the largest rise since the series began in 1978 and dwarfed expectations for a 12,000 increase. The jobless rate also surprised by falling back to 6.1%, so reversing most of July's unexpected jump to 6.4%. Most of the gains came in part-time jobs which surged 106,700, while more people went looking for work as the participation rate jumped to a 16-month peak of 65.2%. Analysts cautioned the series was notoriously volatile, but even then the scale of the gains could not be ignored.

The ABS conceded it had doubts about the figures, revealing it went through a series of statistical tests to confirm its result. It is 95% confident total employment through August increased by between 63,400 and 178,600. Though the Australian dollar jumped more than half a cent immediately on the figures, it lost much of that as analysts checked the figures. They used research notes to question the result and some suggested the jobless rate needed to be taken with large grains of salt. NAB economist Spiros Papadopoulos said the size of the rise in jobs was too hard to believe and it was amazing that so many people found work yet the total hours worked barely budged.

A 16% jump in Sydney house prices in the past year is sparking alarm at Australia's central bank. An investor-led surge in prices may amplify any subsequent fall and risk a drop in consumer spending, hurting the economy, the RBA said yesterday in minutes from its September 2 board meeting, and that "this trend warranted ongoing close observation". The RBA reiterated that the most prudent course is period of rates stability. It also viewed labour market conditions as subdued while wages grow low. Credit growth has picked up, including to businesses but mining investment is set to drop noticeably in the next year or so which will continue to weigh on the Australian economy. In comparison, non-mining investment will likely pick up modestly in coming quarters.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8300 0.8100
 Spot Ref: 0.8175
 Tenor: 2 weeks
 Date: 17 Sep 2014
 Time: 11:05 hrs
 Resistance / Support: 0.8276 0.8108
 Commentary:



- RBNZ keeps OCR at 3.5%, signals slower pace of future hikes (Thu 11-Sep).
- NZ median house price up 1%, but sales nosedived 7%: REINZ (Fri 12-Sep).
- NZ manufacturing picks up in August, rebound expected from Q2 (Fri 12-Sep).
- NZ Q2 GDP data (due on Thu 18-Sep, 06:45hrs SGT).

RBNZ governor Graeme Wheeler kept the official cash rate at 3.5% and signalled he won't be as aggressive with future rate hikes as previously thought as inflation remains tamer than expected. The kiwi dollar fell to a seven-month low. Wheeler kept the key rate unchanged, as expected, saying the economy was adjusting to the bank's rate hikes earlier this year, though risks still remained as to how much strong net migration will impact on housing, and the extent to which construction activity spills over into broader inflation. Falling food prices in July firmed up analysts expectations the bank will hold off raising interest rates again this year.

NZ manufacturing activity picked up in August, extending the period of expansion to two years, and pointing to more industrial production after a mid-year lull. The BNZ-Business NZ performance of manufacturing index rose to 56.5 in August from 53 in July, and just below the 56.8 reading in the same month a year ago. The index was at the highest since March and above 50 for 24 months. The production sub-index was at a 13-month high 60.1, while new orders rose 2.8 points to 58.3. Employment rose 1.7 points to 53.2, its highest level since May, while deliveries advanced 2 points to 55.7. Finished stocks was the only measure showing a contraction at 48.5.

NZ median house prices edged up 1% last month. However, sales nosedived by 7% compared to July, and by 16% on a year ago. Figures from the REINZ show the national median price for houses in August was NZ\$420,000, up NZ\$4000 from July. Compared to 12 months ago, prices are up NZ\$30,000 or 7.7%, with Auckland and Christchurch's strong markets as the main contributors. REINZ chief executive Helen O'Sullivan said the market seemed to be "idling" as buyers and sellers awaited the outcome of the September 20 election, but was not the only factor as this is the 10th consecutive month of sales volumes being below the prior year's levels.



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