



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2850	1.2450
Spot Ref:	1.2632	
Tenor:	2 weeks	
Date:	08 Oct 2014	
Time:	11:40 hrs	
Resistance / Support:	1.2841	1.2449
Commentary:		

- Surprise German slide weighs on Eurozone manufacturing (Wed 01-Oct).
- Strong US job numbers boost speculation of early US rate hikes (Fri 03-Oct).
- ECB leaves rates unchanged but fails to set firm stimulus target (Thu 02-Oct).
- German industrial output drops most since 2009 in August (Tue 07-Oct).

A surprise decline in German manufacturing activity for the first time in 15 months indicates the eurozone's northern core is at risk of slipping into stagnation. The headline measure from data firm Markit's monthly survey of purchasing managers at 500 German manufacturers fell to 49.9 from 51.4 in August, and below the preliminary estimate of 50.3 released in September. Manufacturing activity also contracts in Austria, Greece, while France declines for a fifth straight month.

ECB head Mario Draghi underlined the bank's willingness to step up its economic stimulus efforts but left open questions about the size of upcoming measures after the bank's policy meeting last Thursday. It kept its benchmark refinancing rate unchanged at 0.05%. It also decided on key operational details of ABS program to start in Q4 while covered bond purchases is slated to begin in October which will continue for two years. According to Draghi, the asset purchases will strengthen forward guidance on interest rates. He also reiterated purchases will have a sizable impact on the ECB's balance sheet but is difficult to assess a figure for the overall ABS program, although he emphasized the program size will be "significant" and reiterated balance sheet will grow back to 2012 levels. He noted that the committee remains unanimous in its commitment to use additional unconventional instruments, but market read seemed that Draghi remains evasive on QE.

The US dollar gained strength against the majors as the US unemployment rate fell to 5.9%, boosting speculation Federal Reserve policy makers are moving closer to raising their benchmark rate. The US Labour Department reported last Friday that 248,000 net new jobs were created. But weaknesses persisted. The number of those who have dropped out of the labour market rose by 315,000, with the resulting participation rate falling a tick to a new low of 62.7%.

German industrial production, adjusted for seasonal swings, dropped 4% in August from July, when it expanded 1.6% as sluggish growth in the eurozone, its largest export market, and political tension with Russia weigh on confidence. That's the biggest decline since January 2009 and against estimates of 1.5% in a Bloomberg survey.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6250	1.5900
Spot Ref:	1.6058	
Tenor:	2 weeks	
Date:	08 Oct 2014	
Time:	11:40 hrs	
Resistance / Support:	1.6288	1.5880
Commentary:		

- UK manufacturing PMI hits 17-month low in September (Wed 01-Oct).
- UK services PMI slips in September as economy loses pace (Fri 03-Oct).
- UK construction PMI rises to 8-month high in September (Thu 02-Oct).
- BoE expected to leave rates unchanged (due on Thu 09-Oct, 19:00hrs SGT).

British manufacturing grew at the slowest rate in 17 months in September as demand weakened domestically (due to the strength of sterling) and in Europe, a slowdown likely to be noticed by the BoE as it debates when to start raising interest rates. The Markit/CIPS UK manufacturing PMI fell to 51.6, its lowest level since April last year and below a consensus forecast of 52.5 in poll of economists. August's reading was revised down to 52.2 from a previous estimate of 52.5.

The UK September Markit/CIPS construction PMI unexpectedly rose to 64.2 (from 64.0 in August). Markets were expecting the construction PMI to ease lower to 63.5. The expansion in commercial work and civil engineering projects started to catch up with booming house-building. Growth in new orders and employment slowed to a 4-month low as builders faced sharply rising costs and bottlenecks in the supply of some materials, prompting the most cautious outlook from construction firms in more than a year.

Rapid growth in Britain's services sector eased slightly in September and a broader measure of private-sector expansion fell to a 6-month low, raising the prospect of an end-of-year slowdown. The Markit/CIPS services PMI dropped to a 3-month low of 58.7 in September from August's 9-month high of 60.5.

UK Deputy Prime Minister Nick Clegg will propose cutting income tax for most earners, funded by an increase in the capital-gains tax paid by the wealthy. Clegg will also pledge to improve mental-health care while pumping money into the state-funded National Health Service. The threshold to start paying income tax, currently £10,000, should go up to £11,000 in April 2016, with a goal of getting to £12,500.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.8900 0.8600
 Spot Ref: 0.8767
 Tenor: 2 weeks
 Date: 08 Oct 2014
 Time: 11:40 hrs
 Resistance / Support: 0.8859 0.8579
 Commentary:



- Australia trade deficit continues to narrow in August (Thu 02-Oct).
- RBA repeats it sees period of stability in interest rates (Tue 07-Oct).
- Australia to revise 'volatile' jobs data after August record (Wed 08-Oct).
- Building approvals surprisingly strong in August (Thu 02-Oct).
- RBA signals Aussie drop insufficient to drive growth transition (Tue 07-Oct).

Australia's August exports contracted 2%/m while imports declined even faster by 3%/m resulting in a narrower trade deficit of A\$787million in August, in line with expectations and from a deficit of A\$1.075billion in July. The deficit has been shrinking since May. Australia last produced a monthly surplus in March this year. Shipments of iron ore and coal, which account for about of third of Australia's total exports, were up slightly, offset by a drop in non-monetary gold and other mineral fuels. By destination, shipment volumes to China remain robust, with both iron ore and coal export volumes moving higher in August.

Approvals for the construction of new homes continue to soar indicating house building could be a shining light for the economy as there is plenty of work to come for Australia's building industry. But growing home construction is unlikely to end the current surge in property prices, economists said. Local councils approved the construction of 16,810 new homes in August which was surprising strong at 3%/m/m (+14.5%/y/y) from a revised 2.1%/m/m (9.6%/y/y) in July.

The RBA kept its cash rate unchanged as expected at its October meeting. The cash rate has been at 2.50% since August 2013. Policymakers said continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2%-3% target over the next two years. The RBA reiterated that the most prudent course is likely to be a period of stability in interest rates and that the global economy is continuing to grow at a moderate pace. But, it noted that China's growth has shown signs of slowing. Also, prices of commodities that are important to Australia have declined further.

The Australian dollar's 7% decline in the past month is insufficient to spur the nation's transition to domestic drivers of growth, the RBA said as it kept rates unchanged.

Australia's statistics bureau will drop its seasonal adjustment of jobs data for the past three months, a day after RBA Governor Glenn Stevens described the figures as "unusually volatile". The seasonally adjusted employment estimates will be revised so that they are the same as the original series for July, August and for the September data due tomorrow, the bureau said in a statement today. The seasonally adjusted estimate is the main gauge for financial markets. The ABS came under scrutiny after unemployment jumped from 6.1% to a 12-year high of 6.4% in July, then retraced the gain in August, when a record 121,000 jobs were added under the seasonally adjusted measure. Economists expect Thursday's jobs figure for September to show an unemployment rate of 6.2%.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8000 0.7600
 Spot Ref: 0.7791
 Tenor: 2 weeks
 Date: 08 Oct 2014
 Time: 11:40 hrs
 Resistance / Support: 0.7920 0.7650
 Commentary:



- Auckland house prices hit record, as more million dollar houses sell (Fri 03-Oct).
- NZ budget deficit wider than forecast in August (Tue 07-Oct).

Auckland house sales rose in September, snapping three previous months of decline, as more houses with a \$1 million plus price tag pushed the average house price to a record, according to Barfoot & Thompson. The number of sales rose to 959 in September, from 909 in August, although below the 1,105 sold in September last year, Auckland's biggest realtor said in a statement. The average sales price rose 3.8% to a record \$738,876, and was 12% above last September's average house price. Of the houses sold, 17% carried a \$1 million plus price tag, while properties under \$500,000 made up 30% of sales.

The NZ Government has posted a Budget deficit of NZ\$2.9 billion in the year to June 30, NZ\$338 million worse than forecast in the pre-election opening of the books. Finance Minister Bill English said the result was the third consecutive narrowing of the deficit before gains and losses and was further evidence careful fiscal management was producing consistent gains over time. Tax revenue (39% of GDP) was NZ\$122 million less than expected. Core government spending was NZ\$176 million more than projected (31.2% of GDP, lowest since 2008). The net debt at June 30 was 26.2% GDP. English said returning to budget surplus in 2015 "remains a significant challenge".



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