



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1750	1.1400
Spot Ref:	1.1567	
Tenor:	2 weeks	
Date:	21 Jan 2015	
Time:	11:15 hrs	
Resistance / Support:	1.1717	1.1421
Commentary:		



- SNB stuns currency markets by scrapping 1.20 cap against euro (Thu 15-Jan).
- Draghi push seen delivering €550 billion with QE forecast (Mon 19-Jan).
- Market eyes ECB announcements on bond buying (Thu 22-Jan, 20:45hrs SGT).
- US January consumer sentiment at highest in 11 years (Fri 16-Jan).
- German ZEW investor confidence at 11-month high as QE nears (Tue 20-Jan).

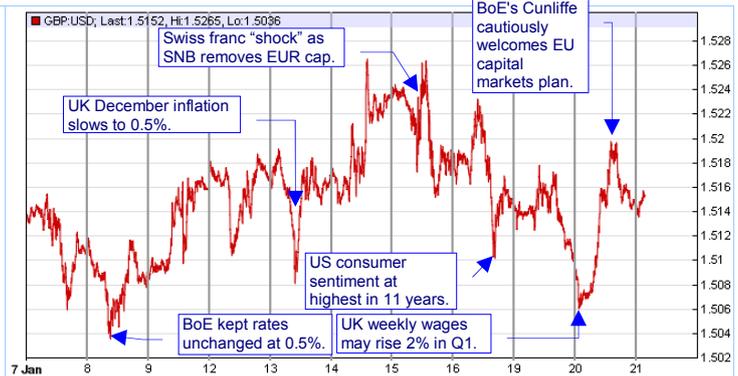
The Swiss National Bank unexpectedly scrapped its cap on the franc on Thursday, sending the safe-haven currency crashing through the 1.20 per euro limit it set more than 3 years ago. SNB also lowered the interest rate on sight deposit account balances by 0.5%, to -0.75%. The SNB gave up supporting the euro cap as massive ECB monetary easing is expected. Currency markets were completely taken by surprise and many traders had to cover their outsized massive short positions on the CHF.

US consumer sentiment rose in January to its highest in more than a decade on gains in jobs and wages and on lower gasoline prices. The University of Michigan's preliminary reading on the overall index on consumer sentiment for January came in at 98.2, the highest since January 2004. The final December reading was 93.6.

Mario Draghi is likely to announce a €550 billion bond-purchase program this week and won't skimp too much on the details, economists say. The ECB president will make his biggest push yet to steer the eurozone away from deflation by announcing QE on January 22, according to 93% of respondents in a Bloomberg News survey.

German investor confidence jumped to the highest level in 11 months as the ECB prepares for QE and the euro weakens. The ZEW index of investor and analyst expectations, which aims to predict economic developments six months in advance, climbed for a third month in January to 48.4 from 34.9 in December, higher than forecasts for 40. A measure of the current situation rose to 22.4 in January from 10 in December. A gauge of expectations for the eurozone increased to 45.2 from 31.8.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5300	1.4950
Spot Ref:	1.5152	
Tenor:	2 weeks	
Date:	21 Jan 2015	
Time:	11:15 hrs	
Resistance / Support:	1.5276	1.4992
Commentary:		



- UK house price growth slowest since May 2013 - RICS (Thu 15-Jan).
- Cameron gets wage boost in election investors fear (Tue 20-Jan).
- UK set to grow at fastest rate for a decade due to oil price slump (Mon 19-Jan).
- BoE's Cunliffe cautiously welcomes EU capital markets plan (Tue 20-Jan).

British house prices rose at their slowest annual pace since May 2013 at the end of last year, as tighter lending rules and a looming national election weighed on buyer demand. The Royal Institution of Chartered Surveyors (RICS) said its monthly house price balance sank to +11 in December from +13 a month before. RICS said its members continued to expect that a cut in property transaction tax for homes costing under £937,000 announced by Chancellor George Osborne in December would boost prices and sales by 2%-5% in 2015 as a whole. But prices and volumes were expected to fall in London, as expensive homes would be subject to higher taxation.

The plunge in the cost of Brent crude by more than 50% since last June has been hailed as "a giant tax cut to the economy". The EY ITEM Club predicts that GDP will grow by 2.9% in 2015 with falling oil prices boosting consumer spending, up 0.5% on its previous estimate in October. The forecast is also more optimistic than the 2.4% predicted in the Chancellor's Autumn Statement in December. The report predicts inflation will average around zero in 2015 - turning negative in the early months of the year, and that rates will not rise from their current record low of 0.5% until the spring of 2016, followed by gradual quarterly rises of 0.25%.

UK pay growth will probably continue to strengthen, encouraging consumers to spend and giving a boost to Prime Minister David Cameron as he fights to stay in power. Average weekly earnings may grow 2% in Q1, according to economists in Bloomberg's monthly survey. As falling oil prices send inflation toward zero and push down bond yields, Britons are experiencing real wage growth for the first time since the financial crisis, with little pressure on the BoE to raise interest rates.

The EU's plans to build a capital markets union (CMU) to increase funding for the economy will take years and needs careful handling, BoE Deputy Governor Jon Cunliffe said on Tuesday. The bloc's financial services commissioner is due to publish a discussion paper on CMU in February with legislative proposals likely to follow in 2016.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	0.8300	0.8000
Spot Ref:	0.8196	
Tenor:	2 weeks	
Date:	21 Jan 2015	
Time:	11:15 hrs	
Resistance / Support:	0.8299	0.8067

- Australian December employment rises 37,400 m/m, above forecasts (Thu 15-Jan).
- Australia inflation gauge slows sharply in December (Mon 19-Jan).
- Australian jobless rate unexpectedly drops to 6.1% in December (Thu 15-Jan).
- China 2014 growth at 7.4% slowest since 1990; Q4 GDP +7.3%/y (Tue 20-Jan).

The chances of an imminent Aussie interest rate cut are diminishing after a surprise surge in full-time jobs pushed unemployment down to 6.1% in December. November's jobless rate was revised lower to 6.2% from 6.3%. The economy added a whopping 37,000 jobs last month, much better than the 5,000 jobs economists were expecting, bringing the number of employed Australians to 11.7 million. That rise was mainly driven by full-time jobs, which rose by 41,600, while part-time employment fell by 4,000.

A private gauge of Australian inflation braked to the slowest pace in 2½ years in December as petrol prices plunged, suggesting there was expanding scope for another cut in interest rates if needed to support the economy. The TD Securities-Melbourne Institute's monthly measure of consumer prices was unchanged in December from November, when it edged up by 0.1%. December is normally a strong month for prices but this time a steep fall in petrol kept inflation restrained. The annual pace slowed sharply to 1.5%, from 2.2% in November. That was the lowest reading since July 2012. Importantly for monetary policy, measures of underlying inflation also showed a marked moderation in price pressures, with the trimmed mean up just 1.7% on a year earlier and down from 2.4% in November. The slowdown in the TDMI figures will thus only add to market speculation about a cut in the current 2.5% cash rate.

China's Q4 GDP rose 7.3% from a year ago (+1.5% q/q), beating the median estimate of 7.2% in a Bloomberg survey of analysts. The economy expanded 7.4% in 2014, the slowest pace since 1990. The yuan rose and swap rates increased after the data. Markets should breathe a sigh of relief as the economy enters 2015 in a better shape than had been expected. Other data showed industrial production rose 7.9% in December from a year earlier, compared with the 7.4% median estimate of analysts and November's originally reported 7.2%. Retail sales increased 11.9% from a year earlier, compared with the 11.7% seen by economists.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7850	0.7500
Spot Ref:	0.7656	
Tenor:	2 weeks	
Date:	21 Jan 2015	
Time:	11:15 hrs	
Resistance / Support:	0.7841	0.7523

- HSBC economists retain forecast of RBNZ rate rise in Q4 of 2015 (Tue 20-Jan).
- Milk price forecast seen below break-even: ANZ (Tue 20-Jan).
- RBNZ will keep cash rate at 3.5% until late 2016, ANZ says (Tue 20-Jan).
- NZ consumer prices fall for first time since 2012 (Wed 21-Jan).

HSBC's chief economist for Australia/NZ Paul Bloxham, commenting on the outlook for New Zealand, said that domestic inflation pressures will build in 2015 given above-trend economic growth and capacity constraints, and that CPI inflation should hit 2% by Q1 of 2016. Bloxham forecasts that dairy prices will recover in 2015 as China demand improves. HSBC retains its forecast for the RBNZ to resume rate hikes in Q4 of this year, with the official cash rate reaching 4.5% by end of 2016.

ANZ Bank previously forecasted a rate rise in Q4 of 2015. However, according to an e-mailed client note, ANZ has revised its forecast for a rate rise to start only in late 2016, citing weak inflation, an elevated currency trade weighted index, prospects for low dairy prices and underlying softness in global growth.

ANZ economists have cut their milk price forecast to NZ\$4.35 per kilogram of milk solids, well below the break-even point for many struggling dairy farmers. The bank's downgrade represents an approximate NZ\$6.9 billion hit to overall dairy revenue compared to last year's bumper season. Dairy prices have finally started bouncing back from the five-year lows plumbed last year, with a 3.6% increase in the first Global Dairy Trade auction of the year. However, ANZ said that was offset by the largest increase in supply from major exporters in eight years, with increased pressure from Europe and a growing domestic milk supply in China.

NZ consumer prices fell for the first time in two years as fuel slumped, giving RBNZ Governor Graeme Wheeler scope to keep borrowing costs on hold for an extended period. The CPI fell 0.2% in Q4 from Q3, the first decline since Q4 of 2012, StatsNZ said today. The forecast by Bloomberg was for no change. From a year ago, Q4 prices rose 0.8%. This was slower than the 1% annual inflation seen in Q3. The RBNZ predicted inflation will accelerate slowly this year and next, reaching 2% in the Q4 of 2016.



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