



Wednesday, 11 March 2015

Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.0950	1.0550
Spot Ref:	1.0691	
Tenor:	2 weeks	
Date:	11 Mar 2015	
Time:	13:45 hrs	
Resistance / Support:	1.0912	1.0586
Commentary:		



- ECB left rates unchanged, as expected (Thu 05-Mar).
- German exports post biggest drop in five months in January (Mon 09-Mar).
- Varoufakis unsettles Germans with admission Greece won't repay debts (Tue 10-Mar).
- Euro drops to 11-year low as bond-buying ECB contrasts with Fed (Fri 06-Mar).
- EU nears deal on €315 billion plan to tackle drop in investment (Tue 10-Mar).

As expected, the ECB left all key rates unchanged, (Refinancing rate at 0.05%, deposit rate at -0.2%, and lending rate at 0.3%.) But the focus was on the ECB QE programme details, including the QE purchasing government bonds programme to begin on Monday (9-Mar) and will continue until September 2016. The purchases will continue until inflation is in line with objectives (so it could be more open-ended than what we initially expect).

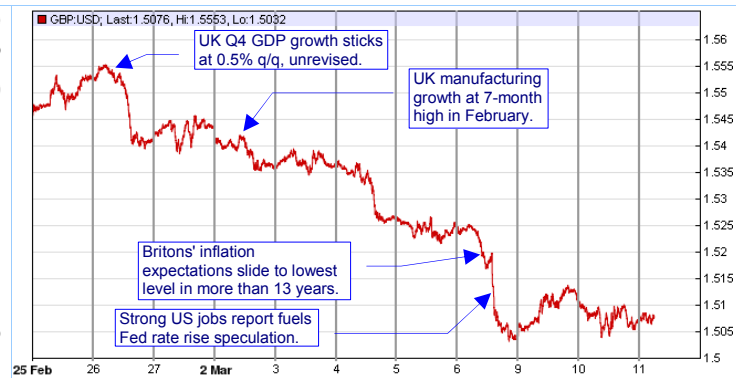
The better-than-forecast US jobs data fuelled speculation the Federal Reserve will raise rates for the first time since 2006 by September. In contrast, the ECB prepared to start purchasing bonds on Monday (9-Mar) to spur a slumping economy. The euro sank 3.1% to \$1.0844 and touched \$1.0840, the lowest level since September 2003.

German exports fell by the largest amount in five months in January, dropping more than forecast and putting a slight damper on the outlook for Europe's largest economy, though economists said a weak euro and cheap oil would help in the months ahead. Seasonally-adjusted exports decreased by 2.1% on the month after a sharp rise in December. They missed the consensus forecast for a 1.5% drop. The data for December was revised down to a 2.8% gain from a previously reported 3.4% increase.

EU finance ministers agreed the details of a €315 billion investment plan on Tuesday to help revive the European economy without piling up more debt, and now aim to get the first projects going by the end of the year. EU lawmakers must now approve the fund. The four-year plan fleshes out a call by EC President Jean-Claude Juncker to back riskier projects from airports to railways and to confront the fall in investment since the financial crisis. Investment had fallen by 15% to 20% since 2008.

Greek Finance Minister Yanis Varoufakis has described his country as the most bankrupt in the world and said European leaders knew all along that Athens would never repay its debts, in blunt comments that sparked a backlash in the German media on Tuesday. Technical talks between finance experts from Athens and Greece's international creditors will start on Wednesday with the aim of unlocking further funding. The eurozone is becoming increasingly frustrated with Athens's lack of progress on reform. Bild daily splashed comments on the front page and ran an editorial comment urging European leaders to stop providing Greece with ever more financial support.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5250	1.4950
Spot Ref:	1.5076	
Tenor:	2 weeks	
Date:	11 Mar 2015	
Time:	13:45 hrs	
Resistance / Support:	1.5281	1.4975
Commentary:		



- Britons' inflation expectations slide to lowest level in more than 13 years (Fri 06-Mar).
- Carney - 'extremely foolish' to use stimulus against falling inflation (Tue 10-Mar).
- UK January industrial production figures (due Wed 11-Mar, 17:30 hrs SGT).
- UK January external trade data (due Thu 12-Mar, 17:30 hrs SGT).

British public's expectations for inflation over the next 12 months fell to its lowest level in more than 13 years last month, according to a BoE survey. Inflation expectations for the year ahead fell to 1.9% in February, the lowest level since late 2001, from 2.5% in November, the quarterly survey showed. The BoE report follows official data that showed British consumer price inflation fell to its lowest level since records began in January at 0.3%, and the BoE has said it could turn negative in the coming months.

BoE Governor Carney said it would be "extremely foolish" to use more monetary stimulus to fight a temporary plunge in British inflation caused by declining oil prices, adding that inflation would likely fall to around zero in the coming months and stay there for most of 2015, having already hit its lowest level on record in January at 0.3%.

The main focus in the UK today will be the January industrial production figures. We expect industrial output to increase by 0.2%/m/m to lift the y/y rate to 1.3% from 0.5%, with manufacturing output expected to equal the 0.2% m/m overall gain, y/y in this case up to 2.6%. External trade figures for January will be out on Thursday. Separately, the February RICS survey on the housing market should convey a picture of a general softening of house price inflation, whilst the February BRC retail sales monitor will give further clues about the pulse of high street spending in the aftermath of the Q4 spending binge.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.7750 0.7500
 Spot Ref: 0.7604
 Tenor: 2 weeks
 Date: 11 Mar 2015
 Time: 13:45 hrs
 Resistance / Support: 0.7750 0.7542
 Commentary:



- Business confidence falls despite Aussie rate cut (Tue 10-Mar).
- Consumer confidence falls below 100, at 2-month low (Wed 04-Mar).
- RBA official hints at rate cut amid gloom (Wed 11-Mar).
- Australia February unemployment figures (due on Thu 12-Mar, 08:30 hrs SGT).

Business confidence has fallen in February, with conditions unchanged, despite the RBA's rate cut to 2.25%. National Australia Bank's widely-watched monthly business survey showed a 3-point decline in confidence to **zero**, the lowest level since July 2013, while current business conditions remain stuck at +2. The fall in the key headline figures belies stability in many of the sub-indices. NAB is forecasting one more rate cut in response to the weak level of business and consumer confidence and below average economic growth, but it says there is around a 40% chance of a second further rate cut to 1.75% if unemployment keeps rising.

A senior RBA official has suggested interest rates could be cut again as consumer sentiment continues to wither. Rates are already at a record low but RBA assistant governor Christopher Kent has suggested there is room for more monetary policy easing when the board meets again. "That's the case they're going to be considering at forthcoming meetings," he told an RSL clubs conference. Dr Kent said rising unemployment was behind a lot of the decline in consumer feeling.

Westpac and the Melbourne Institute announced consumer confidence had fallen to a two-month low. Sentiment levels in March slid by 1.2% to 99.5, a level below the 100 mark where pessimists outnumber optimists, from February's 100.7 as the euphoria from the February rate cut wore off. The Aussie dollar has now hit a fresh 6-year low.

Markets will be watching for the ABS data early on Thursday on Australia's unemployment rate, which was standing at 6.4% in February. The RBA left rates on hold in March but governor Glenn Stevens said further easing "may be appropriate over the period ahead, in order to foster sustainable growth in demand".

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.7400 0.7150
 Spot Ref: 0.7249
 Tenor: 2 weeks
 Date: 11 Mar 2015
 Time: 13:45 hrs
 Resistance / Support: 0.7404 0.7190
 Commentary:



- RBNZ likely looking at new tools to avoid rate rises, PM Key says (Mon 09-Mar).
- Auckland plan puts housing at risk (Wed 11-Mar).
- RBNZ expected to keep rates unchanged at 3.5% (due Thu 12-Mar, 04:00 hrs SGT).

RBNZ is probably investigating new tools to slow housing demand because it is unable to raise interest rates in a low-inflation environment, Prime Minister John Key says. The Reserve Bank said last week it was seeking views on how to define property investment loans, adding to signs it may tighten rules in an attempt to cool surging house prices. Key said he hadn't been briefed on the issue by the RBNZ while a spokesman for RBNZ declined to comment. "It's clearly trying to ensure there's not a bubble emerging in the housing market", Key told reporters in Wellington Monday. "It's doing so in such a way that it's not having to lift interest rates."

Auckland's strong economic growth is at risk from its watered down unitary plan. The city's new chief economist, Chris Parker, has slated the weak housing provisions of the draft plan in his first report to the council. Connal Townsend of the Property Council says there needs to be terraced houses and apartments near the city centre. "Most people would prefer to be as close into the city as possible. It's not at all possible under the provisions of the plan." Townsend says the market can't sustain stagnant rent growth and skyrocketing land prices, and the city needs to go 'up and out' - but the plan isn't allowing for that. "It's not going to do the job."

RBNZ Governor Graeme Wheeler will keep the official cash rate unchanged at 3.5% on March 12, according to 14 of 16 economists surveyed by Bloomberg News.



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