



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.1400	1.1050
Spot Ref:	1.1141	
Tenor:	2 weeks	
Date:	20 May 2015	
Time:	11:20 hrs	
Resistance / Support:	1.1405	1.1070
Commentary:		



- Eurozone Q1 GDP strengthens to 0.4% as France & Italy outperforms (Wed 13-May).
- Euro tumbles as ECB hints at faster buying pre-summer (Tue 19-May).
- Eurozone CPI stays at 0% year-on-year in April (Tue 19-May).
- Greece in final stretch of troubled loan talks (Mon 18-May).
- German investor sentiment falls to 5-month low in May; ZEW (Tue 19-May).
- Eyes on FOMC minutes (due on Thu 21-May, 02:00hrs SGT).

Growth in the eurozone strengthened to 0.4% in Q1 from 0.3% in Q4 but below forecasts for 0.5% growth, helped by a surprisingly strong performance in France which outpaced powerhouse Germany. Across all the EU-28 countries, growth also hit 0.4% in Q1, the same as in Q4. Growth slowed sharply in Germany to 0.3% from 0.7%, while France picked up to a vigorous 0.6% from zero growth in Q4. The Italian economy edged its way further out of recession with stronger than expected 0.3% growth in Q1 which followed zero growth in Q4. The news was far bleaker for debt-hit Greece where the economy fell back into recession with a contraction of -0.2% from -0.4%.

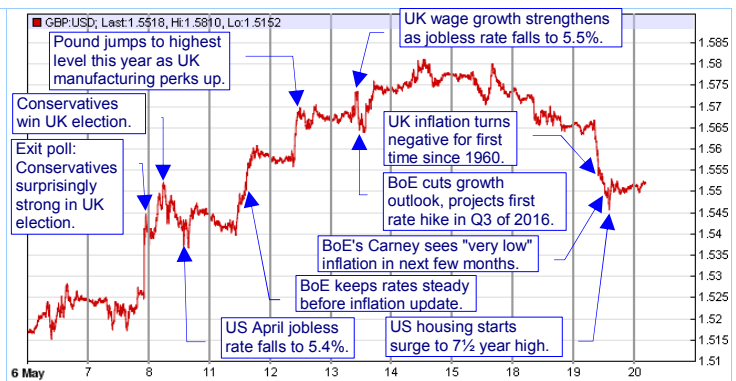
Worries about Greece and weighed on the market. Greece remains on the radar as the Greek finance minister, Yanis Varoufakis, said on Monday that he expects Greece to come to an agreement with its bailout international creditors within "about a week" and that Greece will not agree to a new deal without debt restructuring. Greece's European lenders on Tuesday played down Athens's hopes of a swift end to negotiations on an aid agreement and said talks must speed up before the country runs out of cash. Eurozone policymakers said talks were not moving nearly as fast as needed to clinch a deal in a short time.

The euro tumbled after Benoit Coeure talked of adjusting the ECB's buying program. He said the speed of the recent spike in bond yields, which has effectively wiped out the benefits of QE, was worrisome and the ECB could "moderately" increase its buying in May and June to ensure it doesn't fall behind on its target over the summer. The US dollar strengthened against the euro following positive housing data releases in the US which added optimism to the US housing recovery supporting growth in Q2.

Investor sentiment in Germany fell to its lowest level in five months in May as weaker-than-expected growth in the Q1 weighed on confidence. The ZEW investor confidence index fell by a steeper-than-expected 11.4 points to 41.9 points in May, its lowest level since December 2014, ZEW said in a statement.

The data released by the Eurostat on Tuesday showed the Eurozone annual inflation was 0.0% in April 2015, up from -0.1% in March. In April 2014 the rate was 0.7%. Meanwhile, Eurozone CPI fell to 0.2% in April month-on-month from 1.1% in March. Core CPI stayed unchanged at 0.6% year-on-year in April.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5750	1.5300
Spot Ref:	1.5518	
Tenor:	2 weeks	
Date:	20 May 2015	
Time:	11:20 hrs	
Resistance / Support:	1.5766	1.5320
Commentary:		



- UK wage growth strengthens as unemployment rate declines to 5.5% (Wed 13-May).
- UK inflation turns negative for first time since 1960 (Tue 19-May).
- Minutes of BoE MPC meeting held on 7 & 8 May (due on Wed 20-May, 16:30hrs SGT).
- BoE cuts growth outlook, projects first rate hike in Q3 of 2016 (Wed 13-May).
- BoE's Carney sees "very low" inflation in next few months (Tue 19-May).

UK unemployment fell to its lowest since 2008 and pay growth rebounded in a sign the British labour market is continuing to strengthen. Unemployment based on ILO methods fell 35,000 to 1.83 million in Q1, taking the jobless rate to 5.5% from 5.6%. Wages grew by 1.9%, with regular pay jumping 2.2%, the biggest increase since 2011.

The BoE in its latest Inflation Report last Wednesday, trimmed its GDP growth forecasts for the next few years but kept its inflation forecasts largely unchanged and projects the first rate hike in Q3 of 2016. BoE cuts 2015 GDP growth from 2.9% to 2.5%, and 2016 GDP growth from 2.9% to 2.6%. The BoE sees risk that period of low inflation could last longer and cuts 2015 inflation to 0.5% from 1.4% but expects inflation to re-accelerate to its 2% inflation target by early 2017. The BoE Governor Mark Carney reiterated the future interest rate increases are likely to be slow and steady due to the lingering scars of recession.

Britain's annual inflation rate fell to minus 0.1% in April, from zero in March, turning negative for the first time since 1960, ONS data showed Tuesday. "This is the first time the CPI has fallen over the year since official records began in 1996 and the first time since 1960 based on comparable historic estimates", the ONS said in a statement.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.8100 0.7850
 Spot Ref: 0.7924
 Tenor: 2 weeks
 Date: 20 May 2015
 Time: 11:20 hrs
 Resistance / Support: 0.8150 0.7841
 Commentary:



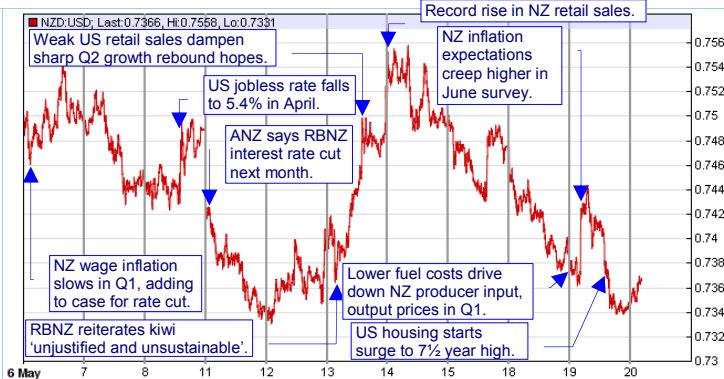
- Weak US retail sales dampen sharp Q2 growth rebound hopes (Wed 13-May).
- RBA minutes show it is willing to cut rates again if needed (Tue 19-May).
- Consumers think Australia's Treasurer Hockey has got it right (Tue 19-May).

US retail sales were flat in April as households cut back on purchases of automobiles and other big-ticket items, the latest sign the economy was struggling to rebound strongly after barely growing in Q1. The weaker-than-expected retail sales report last Wednesday showing the 10th straight month of declining import prices in April, suggest little urgency for the Fed to start raising interest rates. While March's retail sales were revised higher to show a 1.1% increase instead of the previously reported 0.9% rise, that was not enough to offset the general weak tone of the report. Economists had forecast sales rising 0.2% in April.

Consumer confidence has followed opinion polls and given the thumbs-up to Treasurer Joe Hockey's second budget. The ANZ-Roy Morgan consumer confidence gauge jumped 3.6% in the past week, lifting it above its long-term average. "This suggests to us that Australians believe the government has got the mix of medium-term fiscal consolidation and short-term support for the economy about right", ANZ chief economist Warren Hogan said as he released the report on Tuesday.

The RBA has signalled that it remains open to further cuts to the cash rate amid concerns about slowing growth in China and weak business investment in Australia. In the minutes of the May board meeting, released on Tuesday, the RBA indicated that the lack of "any guidance on the future path of monetary policy" accompanying its May decision would not prevent it from again moving in rates, if needed. "Members did not see this as limiting the Board's scope for any action that might be appropriate at future meetings", the RBA said. The RBA cut the cash rate by 0.25% on May 5, taking it to a historic low of 2%.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.7500 0.7250
 Spot Ref: 0.7366
 Tenor: 2 weeks
 Date: 20 May 2015
 Time: 11:20 hrs
 Resistance / Support: 0.7481 0.7269
 Commentary:



- NZ retail sales grow at record pace (Thu 14-May).
- NZ dollar gains on higher inflation expectations (Tue 19-May).
- Lower fuel costs drive down NZ producer input, output prices in Q1 (Tue 19-May).
- Fifth consecutive fall for Fonterra's GlobalDairyTrade auction (Tue 19-May).

NZ retail sales rose at a record pace in Q1 of 2015 as the start of the school year underpinned demand for consumer electronics such as laptops and tablets. The volume of sales rose a seasonally adjusted 2.7% in Q1, accelerating from a pace of 1.9% in Q4. That beat the 1.5% growth predicted by economists. Stripping out vehicle-related spending, retail sales rose 2.9%, led by an 8.9% gain in sales of electrical and electronic goods. The volume of sales was 7.4% higher than the same period a year earlier.

Producer input and output prices fell in Q1, mainly reflecting lower fuel costs and weakness in prices of meat and dairy products. Prices received by producers, or the output producer price index, fell 0.9% in Q1, for an annual decline of 2.5%, according to StatsNZ. Prices paid by producers, or input PPI, fell 1.1% in Q1 for an annual decline of 4%. The PPI figures confirm other data that shows inflation pressures were weak in Q1, with the exception of the construction industry. Falling petrol and diesel prices were the main contributor to a 0.3% decline in the CPI in Q1, that resulted in an annual inflation rate of just 0.1%. The RBNZ moved to a tacit easing bias, dropping reference to the prospect of higher rates, in the wake of the inflation data.

The kiwi dollar gained after RBNZ's survey of inflation expectations showed firms raised their projections for consumer prices in the coming two years, ahead of the latest GlobalDairyTrade auction, which will provide a gauge on the health of the country's biggest export. Recent steps by the RBNZ and government to curb housing demand from investors in Auckland was seen as giving the central bank room to cut rates, and the survey quelled some of that growing support for easier policy.

Dairy product prices fell again at the most recent Fonterra Global Dairy Trade auction. The event represents the fifth negative auction for prices in a row and the GDT index is now 37% lower than this time 12 months ago. Average prices paid at the auction fell 2.2% to US\$2472 a tonne from the last auction held two weeks previously which itself was down over 3.5%. ASB rural economist Nathan Penny said that "for the next few months we do expect prices to languish".



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