



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3700	1.3400
Spot Ref:	1.3505	
Tenor:	2 weeks	
Date:	06 Nov 2013	
Time:	14:00 hrs	
Resistance / Support:	1.3575	1.3400

**Commentary:**

- Eurozone inflation cools to 4-year low as unemployment rises (Thu 31-Oct).
- Euro rises from 6-week low as manufacturing grows (Mon 04-Nov).
- EU lowers eurozone growth outlook as debt crisis lingers (Tue 05-Nov).

Eurozone inflation cooled to the slowest in four years in October, the ninth straight month lower than the ECB's 2% ceiling. The annual rate fell to 0.7%, the lowest since November 2009, from 1.1% in September. Economists expected the rate to stay at 1.1%. The ECB said there is a "subdued outlook" for price growth in the eurozone. While the economy has exited a recession and surveys have improved, unemployment is continuing to increase and the central bank predicts only a "gradual" recovery. Separate data showed unemployment hit a record 12.2% in September, unchanged from an upwardly revised rate in August previously reported at 12%.

The final October PMI manufacturing surveys for Italy was revised lower to 50.7 (from 50.8) as well as France to 49.1 (from 49.4) but Germany's PMI was revised higher to 51.7 (from 51.5) and therefore kept the eurozone composite PMI unchanged at 51.3, up from 51.1 in September and marking the fourth month of expansion.

The eurozone November Sentix confidence survey surprised on the upside with an increase to 9.3 (from 6.1 in Oct and well above the expected 6.2), the highest since May 2011 and the strongest among rest of the world. Sentix said that the current situation index climbed to -3.3 from -8.5, while the expectations index rose to 22.8 from 21.8.

The EU trimmed its forecast for eurozone growth next year and raised its unemployment estimate as the economy struggled to regain momentum after a record-long recession. GDP in the 17-nation currency bloc will rise by 1.1% in 2014, less than the 1.2% forecast in May, the EC said. Unemployment, now at its highest rate since the euro was introduced, will be 12.2% in 2014, higher than the 12.1% predicted six months ago. The EC forecasts eurozone annual inflation to be 1.5% in 2014, slowing to 1.4% in 2015, adding further pressure on the ECB to cut interest rates further from already record-low levels at the next meeting tomorrow (Thu 07-Nov).

EUR/USD; Last:1.3505, Hi:1.3832, Lo:1.3445

- Eurozone unemployment at record 12.2% in September (Thu 31-Oct).
- Eurozone Sentix investor confidence at 2½-year high (Mon 04-Nov).
- ECB under growing pressure to cut rates (meeting Thu 07-Nov, 20:45hr SGT).

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6200	1.5850
Spot Ref:	1.6086	
Tenor:	2 weeks	
Date:	06 Nov 2013	
Time:	14:00 hrs	
Resistance / Support:	1.6110	1.5865

**Commentary:**

- Britain's CBI ups 2014 GDP growth forecast to 2.4% (Sun 03-Nov).
- UK 'fastest-growing Western economy': ICAEW (Mon 04-Nov).
- Booming UK services sector points to jump in Q4 growth (Tue 05-Nov).

Britain's business association, the CBI, revised up its forecast for the country's economic growth next year to 2.4% on Sunday, predicting a rebound in business and housing investment. The previous quarterly forecast from the CBI, in August, expected 2014 GDP growth to be 2.3%. While the CBI said there remained headwinds from a sluggish eurozone recovery and slowing growth in emerging markets, the forecast registered a generally more positive outlook.

The UK is set to grow faster than any other Western economy, according to the ICAEW - the body representing English and Welsh accountants. Its monitor of business confidence, sponsored by accountants Grant Thornton, suggests economic growth of 1.3% in Q4 of 2013. The report identified signs of rising business confidence.

The UK October construction PMI was better than expected at 59.4 from 58.9 in September, hitting the highest level since September 2007. Economists had expected an unchanged reading. The report said the housing sector remained the strongest performing area of the sector, while the commercial sector registered the fastest rate of growth since April 2012. Employment levels rose at the steepest rate in six years.

Britain's services sector expanded at its fastest rate since May 1997 last month, raising the prospect of another big jump in economic growth in the final three months of 2013. Markit said its services PMI jumped to 62.5 in October from September's 60.3, confounding economists' forecasts for a fall to 59.8. Markit said that, combined with strong manufacturing and construction PMI surveys, the reading suggests quarterly economic growth of 1.3%, up from 0.8% between July and September.

GBP/USD; Last:1.6086, Hi:1.6255, Lo:1.5905

- Britain must stay in EU but reforms needed, business leaders say (Mon 04-Nov).
- UK construction industry expands fastest in 6 years (Mon 04-Nov).
- BoE monetary policy meeting (Thu 07-Nov, 20:00hr SGT).

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9600 0.9300  
 Spot Ref: 0.9519  
 Tenor: 2 weeks  
 Date: 06 Nov 2013  
 Time: 14:00 hrs  
 Resistance / Support: 0.9530 0.9300  
 Commentary:



- Housing sector shows signs of booming: ABS (Mon 04-Nov).
- RBA leaves cash rate target unchanged at 2.5% (Tue 05-Nov).
- Iron exports to China reach record from Australia's Port Hedland (Tue 05-Nov).
- Australia retail sales beat forecasts (Mon 04-Nov).
- RBA not sure renewed confidence will last (Tue 05-Nov).
- Australia trade deficit lower than estimated in September (Wed 06-Nov).

House prices are continuing to surge, especially in Sydney, as buyers take advantage of record low interest rates. In the year to September, the house price index rose 7.6%, said ABS, the biggest increase in three years. Of the eight capital cities, Sydney had the largest increase with a rise of 11.4%, followed by a 8.6% increase in Perth.

Australian retail sales rose a seasonally adjusted 0.8% during September, the ABS said Monday. The result marked an improvement from August's upwardly revised 0.5% (from 0.4%) increase and beat expectations for a 0.4% gain from a survey of economists.

RBA governor Glenn Stevens has also expressed his frustration over an "uncomfortably high" Aussie dollar, saying a lower exchange rate is needed to achieve more balanced economic growth. Even so, the RBA left the cash rate at an all-time low of 2.5% for a third straight month at its monthly board meeting on Tuesday, as widely expected by economists. Mr Stevens expects economic growth to remain below trend in the near term as it adjusts to lower levels of mining investment.

Iron ore shipments to China from Port Hedland in Australia jumped 10% to a record in October as a recovery strengthened in the world's second-largest economy. Exports rose to 25.2 million metric tons from 22.97 million tons in September and 17.63 million tons in October 2012, data from the Port Hedland Authority showed. China is the world's biggest buyer and Port Hedland is the largest bulk terminal. Iron ore prices have risen 24% from this year's low of US\$110.40 on May 31 to US\$136.80 today.

Australia's trade deficit narrowed in September and trade accounts are expected to continue improving thanks to export volume growth. Australia's trade balance stayed in the red in September with a deficit of A\$284 million, following a deficit of A\$693 million in August, the ABS said. Economists had expected a deficit of A\$500 million.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8450 0.8200  
 Spot Ref: 0.8386  
 Tenor: 2 weeks  
 Date: 06 Nov 2013  
 Time: 14:00 hrs  
 Resistance / Support: 0.8430 0.8190  
 Commentary:



- Auckland house sales weren't constrained by tougher RBNZ rules (Tue 05-Nov).
- People starting to open their wallets; spending up 2.5% in October (Wed 06-Nov).
- NZ unemployment rate falls to 6.2%, jobs growth surges; kiwi jumps (Wed 06-Nov).

Auckland house sales are showing no early signs of being restrained by RBNZ restrictions on high loan-to-value home loans introduced last month. Barfoot said sales rose 8.9% to 1,203 in October from September. The average price rose 0.8% to NZ\$663,123 while the median price declined 1.7% to NZ\$590,000. From October, the RBNZ has required banks to restrict mortgage lending to borrowers with less than a 20% deposit to no more than 10% of their total lending due to house price bubble concerns.

Just what retailers want to hear. People are opening their wallets. Latest Paymark figures shows spending, excluding petrol was up 2.5% in October. The double-digit year-on-year growth in spending in hardware stores, liquor outlets, cafes and restaurants indicates that growth is above and beyond the usual trend.

NZ employers hired workers at more than double the pace economists forecast in the Q3, adding to the case for an interest-rate increase early next year. Employment increased 1.2%, or by 27,000 jobs, from Q2, the most since early 2007. NZ's unemployed rate fell more than expected in Q3 as construction, retail and hospitality firms hired workers. The unemployment rate slipped to 6.2% in Q3, just below the 6.3% forecast by economists, and down from 6.4% in Q2, according to StatsNZ's survey.

Faster jobs growth and rising business confidence suggest pressure will build on wages and inflation in coming quarters, adding to signs RBNZ may start raising rates from a record-low 2.5% as early as March. Last month, he signalled that borrowing costs will need to increase in 2014 as domestic demand picks up and inflation accelerates.



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