



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3600	1.3350
Spot Ref:	1.3532	
Tenor:	2 weeks	
Date:	20 Nov 2013	
Time:	16:00 hrs	
Resistance / Support:	1.3600	1.3480
Commentary:		

- Eurozone growth slows in Q3 to 0.1% as France contracts (Thu 14-Nov).
- Eurozone current-account surplus narrows in September (Mon 18-Nov).
- Deflation fears spread beyond eurozone (Sun 17-Nov).
- German investor confidence rises for a 4th month, at 4-year high (Tue 19-Nov).

A tepid recovery in the 17-nation eurozone slowed in Q3, with powerhouse Germany coming off the pace and France hit by a surprise contraction. The eurozone economy grew 0.1% in Q3 after a gain of 0.3% in Q2. Germany, Europe's largest economy, managed growth of 0.3%, down from 0.7% in Q2, while France slipped back, its economy shrinking 0.1% after a gain of 0.5%. The cause appears to be slowing exports, due to a stronger euro currency, while domestic demand fails to make up the difference.

Fears of a deflationary spiral pushed the ECB to cut its interest rate to a record low early this month, but falling prices are also affecting countries outside the eurozone. Eastern Europe, and Sweden and Britain as well, have all posted surprisingly weak inflation numbers for October, indicating a trend of slower increases in prices, if not outright drops, across the European continent. But analysts believe the dangers of deflation in these regions are more remote than for countries using the euro.

The eurozone's current-account surplus narrowed in September, after increasing in August, data from the ECB showed Monday. The current-account balance, a broad measure of an economy's international financial position, narrowed to a surplus of €13.7 billion in September, following an upwardly revised €17.9 billion surplus in August. The monetary bloc's surplus in trade of goods also narrowed to €13.7 billion in September from €14.7 billion in August, though still suggesting the eurozone continues to export more than it imports. Weaker eurozone countries have turned to export markets for growth, as austerity measures have put pressure on imports.

German investor confidence rose to the highest level in more than four years, signalling that the economic recovery in Europe's largest economy remains on track even after a Q3 slowdown. The ZEW report said its index of investor and analyst expectations, which aims to predict economic developments six months in advance, climbed for a fourth month to 54.6 in November, the highest since October 2009 and up from 52.8 in October. Economists predicted an increase to 54. A gauge of the current situation dropped to 28.7 in November from 29.7 the prior month. A measure of expectations for the eurozone climbed to 60.2 from 59.1, the highest level since March 2006.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6200	1.5950
Spot Ref:	1.6130	
Tenor:	2 weeks	
Date:	20 Nov 2013	
Time:	16:00 hrs	
Resistance / Support:	1.6200	1.5920
Commentary:		

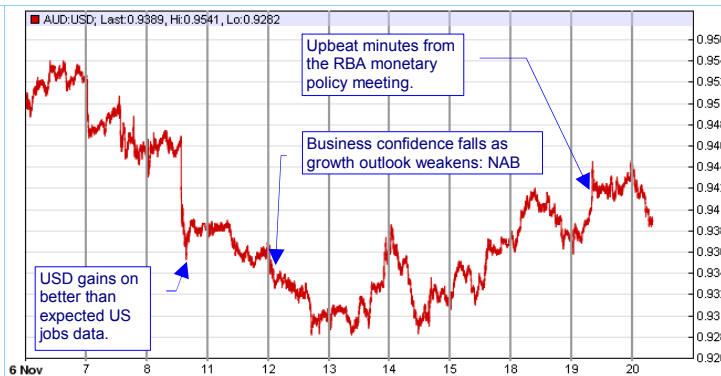
- British recovery 'finally' takes hold; unemployment at lowest in 3 years (Wed 13-Nov).
- London "asking" home prices fall in November: Rightmove (Mon 18-Nov).
- Global economy still vulnerable but UK improving, OECD warns (Tue 19-Nov).

The BoE said last Wednesday that Britain's economic recovery "has finally taken hold" as it upgraded its growth forecasts. The British economy was expected to grow by about 1.6% this year, which marked an upgrade from the previous estimate of 1.4% that was given in August. It also lifted its prediction for 2014 growth to 2.8% from 2.5% previously. Britain's unemployment rate fell to 7.6% in the July-September period, its lowest level in more than three years, down from 7.7% in the June-August period.

London asking prices for homes fell in November after a 10% jump last month as government measures to boost demand failed to offset the seasonal pre-Christmas decline, Rightmove said. Values in the UK capital dropped 5%, or £26,956, to an average £517,276. Across England and Wales, average prices declined by 2.4%.

The outlook for the global economy has darkened as the prospects for emerging markets deteriorate and the US approaches another potentially catastrophic debt deadline, according to the OECD. The think-tank upgraded its outlook for the UK but cut its forecasts for the global economy. For the UK, however, OECD is more optimistic than many other forecasters and has revised up forecasts made in May. Predicting that stronger investment and household spending will drive faster growth, the OECD now forecasts the UK economy will grow by 2.4% in 2014. In May it had forecast 1.5%. That outlook for next year is more optimistic than the 1.9% growth forecast by the IMF and 1.8% predicted in March by the Office for Budget Responsibility (OBR), the Treasury's independent forecaster. A spokesman for the UK Treasury said: "The OECD have revised their forecast for UK GDP up by more than any other G7 country over the next two years. This provides more evidence that the UK's hard work is paying off and the country is on the path to prosperity."

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.9550 0.9250  
 Spot Ref: 0.9389  
 Tenor: 2 weeks  
 Date: 20 Nov 2013  
 Time: 16:00 hrs  
 Resistance / Support: 0.9550 0.9300  
 Commentary:



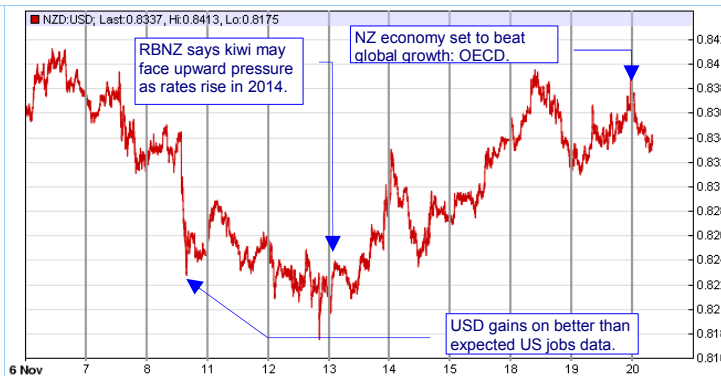
- RBA minutes noted that rate cuts have been effective (Tue 19-Nov).
- Economy set to strengthen – Westpac / Melbourne Institute (Wed 20-Nov).
- Australian housing market continues upward (Tue 19-Nov).
- RBA expected to leave rates unchanged at next meeting (due Tue 03-Dec).

The Aussie dollar gained strength on Tuesday after analysts digested the upbeat minutes from the RBA's recent policy meeting. The RBA noted that there was "mounting evidence" that interest rate cuts have been effective. The RBA trotted out its customary line that it was holding rates but reserves the right to reduce rates if needed. It again railed against the high value of the Aussie dollar, noting that "a lower level of the exchange rate would likely be needed to achieve balanced growth in the economy". Analysts have noted that the RBA is maintaining a mild easing bias so as to snuff out any rally by the Australian dollar.

Australia's economic growth is expected to rise in the coming months as increased activity in the other parts of the economy make up for the downturn in mining investment. The Westpac/Melbourne Institute Leading Index, which indicates the likely pace of economic activity three to nine months into the future, rose to 1.2 in October, from 0.6 in September. Westpac bank's chief economist Bill Evans said the growth rate in the leading index had been above trend for the last six months. "Recent above-trend growth in the Index is pointing to a much better outcome over the next few quarters. These forecasts take into account an unusually significant drag from the downturn in mining investment. As such, we should interpret the signal from the Leading Index as pointing to a solid lift in the growth momentum of the non-mining sector."

Mr Evans said Westpac did not expect the RBA to cut the cash rate at its December 3 board meeting after reducing it to a new record low of 2.5% in August. Westpac's forecast is for a quarter of a percentage point cash rate reduction in February and another in May.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8450 0.8200  
 Spot Ref: 0.8337  
 Tenor: 2 weeks  
 Date: 20 Nov 2013  
 Time: 16:00 hrs  
 Resistance / Support: 0.8400 0.8230  
 Commentary:



- NZ dollar to fall as interest rates rise, says RBNZ inflation survey (Tue 19-Nov).
- Fatter margins for dairy farmers fuel producer price inflation (Wed 20-Nov).
- NZ economy set to beat global growth - OECD report (Tue 19-Nov).

Firms expect the kiwi dollar to weaken by two cents to around 80 US cents by September next year, as the economic recovery gathers pace. Expectations for economic growth in the year ending September 2014 now stand at 3%, compared with 2.8% in the June quarter survey, while the year to September 2015 is now expected to yield 2.9% growth, compared with 2.7% a quarter earlier. The RBNZ Survey of inflationary expectations shows firms expect interest rates to rise by around 60 b.p. next year.

The NZ economy is set to grow 3.6% next year, putting New Zealand in the top six developed countries according to an OECD report. The forecast rate would put NZ well above the OECD average of 2.4% forecast for next year, and ahead of Australia on 2.7%. "This is the latest in a series of encouraging reports on the NZ economy, which confirms that we are well placed compared to most other countries," Finance minister Bill English said.

The economy is bouncing back quickly from the impact of last summer's drought, dairy export prices remain high and the Canterbury rebuild is gaining more steam. A UBS Bank report said NZ was hitting a "sweet spot" with the best growth in a decade expected next year. The economy was also getting a boost from strong net migration and wealth-related spending as house prices rose sharply in some parts of the country. An ANZ regional trends report out showed regional growth at its strongest in nine years.

Rising milk prices paid to dairy farmers fuelled growth in the prices producers paid and received in Q3. The output producers price index, which represents what producers are paid, rose 2.4% in Q3, its fastest quarterly gain in five years, and up from a 1% increase in Q2, according to StatsNZ. Output prices were up 4.1% on an annual basis, the biggest increase in two years. That was driven by a 29% lift in output prices for dairy cattle farming, reflecting strong international milk prices on high demand out of Asia. Dairy farmer output prices have climbed 54% in the year ended September, the biggest annual gain since the series began in 1994. Dairy product manufacturers' output prices rose 14% in the quarter on higher export prices for milk powder, the biggest quarterly increase since March 2010, and were up 37% in the year.



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