



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3750	1.3550
Spot Ref:	1.3640	
Tenor:	2 weeks	
Date:	12 Feb 2014	
Time:	14:40 hrs	
Resistance / Support:	1.3757	1.3543
Commentary:		

- Draghi signals ECB ready to wait until March for action (Thu 06-Feb).
- German trade surplus hits record high in 2013 (Fri 07-Feb).
- France December industrial output growth eases more than forecast (Mon 10-Feb).
- Janet Yellen signals no change to Fed's policy (Tue 11-Feb).

ECB President Mario Draghi said the ECB could take action to counter low inflation as soon as next month, when more data on the eurozone economy will be available. The ECB left its benchmark interest rate on hold at a record-low 0.25%. Waiting a month also allows breathing space to assess the selloff in emerging-market currencies and for the ECB to compile its latest macro-economic forecasts. Draghi said that officials will for the first time look ahead two years by providing inflation and growth estimates for 2016. Inflation unexpectedly slowed to 0.7% for the 18-nation eurozone in January, well below the ECB's inflation target of 2%. The euro rose sharply.

Germany's trade surplus hit a new high in 2013, official figures showed Friday, underscoring concerns that Europe's largest economy is relying too heavily on exports and not doing enough to encourage domestic demand. The Federal Statistical Office said exports in 2013 dropped by 0.2% over 2012 to €1.09 trillion as imports fell 1.2% to €895 billion. The resulting trade surplus of €198.9 billion was the highest ever recorded, beating the €195.3 billion surplus of 2007 and up from last year's €189.8 billion.

Industrial production in France increased at a notably slower pace in December, and the rate of growth missed economists' forecast. Industrial production advanced 0.5% in December from the corresponding month of last year, statistical office Insee said. Economists were looking for a faster increase of 1%. In November, production had recorded a 1.7% growth. Industrial production decreased 0.3% compared to November, when it recorded a 1.2% increase. Expectations were for a 0.2% gain. During the three months ended December, production grew 0.3% from the preceding three-month period. Manufacturing output rose 0.5% quarter-over-quarter. Insee further noted that production in the French manufacturing sector expanded 0.9% year-on-year in December. Month-on-month, factory output stayed flat, after rising 0.2% in November.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6550	1.6250
Spot Ref:	1.6461	
Tenor:	2 weeks	
Date:	12 Feb 2014	
Time:	14:40 hrs	
Resistance / Support:	1.6494	1.6253
Commentary:		

- UK house prices rise at fastest pace in three months - Halifax (Thu 06-Feb).
- UK trade deficit narrows but manufacturing weakens (Fri 07-Feb).
- Main focus on BoE's inflation report; rate guidance expected (due on Wed 12-Feb).
- BoE leaves rates unchanged ahead of inflation report (Thu 06-Feb).
- UK retail sales show fastest annual growth since 2011: BRC (Tue 11-Feb).

British house prices showed their biggest rise in three months in January, Halifax reported, fuelling concerns of a property bubble. House prices rose 1.1% in January after dropping by 0.5% the month before, roughly in line with economists' forecasts and the biggest rise since October. House prices in the three months to January were 7.3% higher than a year earlier, a slightly slower rate of increase than December's 7.5% but still close to November's six-year high of 7.7%.

The BoE decided to leave its loose monetary policy unchanged last Thursday, in line with the forward guidance announced last year. The robust labour market development has made the forward guidance based on the unemployment rate insignificant, preventing interest rate expectations from rising. The bank is set to release the minutes of the meeting on February 19. All eyes will now turn to the BoE's Inflation Report and in particular on Governor Carney's comments on the Bank's forward guidance given recent pleasant surprises in economic data, including the labour market with unemployment now very close to the 7% mark.

The UK's trade deficit narrowed in December to its smallest since July 2012, but manufacturing growth was weaker than expected. An increase in oil, chemical and aircraft exports helped the trade deficit in goods to fall by more than £2 billion to £7.72 billion, the ONS said. Fewer imports of aircraft and ships also boosted the figures, it said. Manufacturing output rose by 0.3% in December, less than the 0.6% predicted. The wider measure of industrial output rose by 0.4% in the month.

British retail sales rebounded last month after a weak December to record their strongest annual growth since April 2011, helped in part by a recovery in the country's property market. The British Retail Consortium (BRC), a trade body, said the total amount spent in stores last month was 5.4% higher than a year earlier, a sharp improvement on the meagre 1.8% growth recorded for December. The lack of snow this year - unlike in January 2013 - encouraged more people to go to the shops.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9200 0.8800
 Spot Ref: 0.9066
 Tenor: 2 weeks
 Date: 12 Feb 2014
 Time: 14:40 hrs
 Resistance / Support: 0.9221 0.8796
 Commentary:



- Australia's retail sales, exports sparkle (Thu 06-Feb).
- Australia Q4 house prices rise 3.4% on quarter (Tue 11-Feb).
- Aussie dollar gains as Chinese trade data beats estimates (Wed 12-Feb).

- RBA sees weaker currency fuelling GDP growth, inflation (Thu 06-Feb).
- Australia business confidence improves: NAB survey (Tue 11-Feb).
- AUD markets looking ahead to employment data (due on Thu 13-Feb).

Australian retail sales topped forecasts for a fifth straight month in December adding to evidence that consumer spending is reviving in time to help cushion the economy from a cooling mining boom. Data from the ABS also showed the country boasted its biggest trade surplus in two years in December as exports rose beyond all expectations. Despite all the talk of a Chinese slowdown, exports to China surged 29% to a record A\$94 billion for all of 2013. Retail sales rose 0.5% in December from the previous month to pip forecasts of a 0.4% gain. The A\$270 billion retail sector accounts for 17% of Australia's GDP and generates 10% of all jobs.

The RBA raised its economic growth and inflation forecasts, reflecting a weaker currency, and reiterated its shift to a neutral policy stance. "Over the past few months, there have been further signs that very stimulatory monetary policy is working to support economic activity. The board's view is that a period of stability in the policy rate is likely". The RBA projected core inflation of 3% in the year ended June, 0.5% higher than seen three months earlier, and 2.25% to 3.25% through December 2014, a 0.25% increase. It expressed uncertainty over what drove a price pickup last quarter and said it expects inflation to be consistent with its target over the forecast period.

House prices in Australia climbed 3.4% in Q4 of 2013 from Q3, the ABS said. That beat forecasts for an increase of 3.0% following the upwardly revised gain of 2.4% in Q3 (originally 1.9%). On a yearly basis, house prices jumped 9.3%, also topping expectations for a gain of 8.6% following the upwardly revised 8.0% increase in the previous quarter (originally 7.6%). The total value of residential dwellings in Australia was A\$5,017,041.4 million at the end of December quarter, rising A\$184,304.7 million over Q3.

Australian business confidence rose in January, the first improvement in four months, while business conditions edged closer to a 3-year high. NAB's business conditions index rose to +4 in January from +3 in December, while its business confidence index climbed to +8 from +6. The survey suggests record low interest rates and a 14% fall in the Australian dollar last year have improved the economic outlook after a slowdown caused by the end of a decade long mining investment boom.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8450 0.8150
 Spot Ref: 0.8353
 Tenor: 2 weeks
 Date: 12 Feb 2014
 Time: 14:40 hrs
 Resistance / Support: 0.8356 0.8146
 Commentary:



- NZ home ownership declines further (Tue 11-Feb).
- NZ dollar gains as Chinese trade data beats estimates (Wed 12-Feb).

- Demand for dairy products to drive growth even higher (Tue 11-Feb).

Home ownership rates have fallen across most of the country, with some of the biggest falls in Auckland according to census figures. At the 2013 census, 64.8% of households owned their own homes, including those with a mortgage, or held them in a family trust. That was down from 66.9% at the 2006 census. Last year, 35.2% of households did not own their own home, up from 33.1% in 2006. Ownership rates have fallen by 4% or more in five Auckland local board areas.

Westpac has revised New Zealand's GDP growth for this year to 4.2%, boosted by China's insatiable demand for dairy products. The Bank's first overview for 2014 says global prices for New Zealand's main export products have reached stratospheric levels. Chief economist Dominick Stephens says those high levels are expected to remain this year. "This year actually very high prices plus the increase in production for dairy farmers is producing a NZ\$5 billion cash windfall. So this strong terms of trade is a big development indeed". Mr Stephens says the free trade agreement signed with China in 2009 seems to be bringing dividends for New Zealand.

China's exports rose 10.6% in January from a year earlier while imports rose 10%, for a trade surplus of US\$31.9 billion, the biggest for that month since 2009. China, the world's second-largest economy, is the biggest buyer of New Zealand's dairy products and wood. The kiwi dollar gained early in the day, rising to 83.50 US cents and stocks rose on Wall Street after new Federal Reserve chair Janet Yellen signalled no change to the Fed's policy path in her testimony to Congress.



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