



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3850	1.3550
Spot Ref:	1.3742	
Tenor:	2 weeks	
Date:	26 Feb 2014	
Time:	11:15 hrs	
Resistance / Support:	1.3846	1.3550
Commentary:		



- Draghi: ECB prepared to add stimulus on deflation risks (Sun 23-Feb).
- Eurozone inflation shows biggest monthly fall in January (Mon 24-Feb).
- Italy December retail sales shrank 0.3% m/m from 0.0% in November (Tue 25-Feb).
- IFO German business confidence unexpectedly gains on outlook (Mon 24-Feb).
- Foreign trade drives Q4 growth of 0.4% in Germany (Tue 25-Feb).
- Eurozone February inflation flash estimate (due on Fri 28-Feb, 18:00hrs SGT).

ECB President Draghi said policy makers are ready to add to stimulus if the outlook for prices deteriorates, though there are currently no signs of deflation in the euro area. "We don't have any evidence of people postponing their expenditure plans with a view to buying the same thing at lower prices, in other words we don't see what is defined to be deflation. We are aware of the risks. The Governing Council is willing and ready to take any action in case these risks were to gain strength". The Council will have the full set of information needed for deciding whether to act or not by its next policy meeting on March 6, when it will publish a 2016 inflation projection for the first time.

The euro got a boost on Monday after German business confidence unexpectedly climbed to the strongest level in 2½ years in a sign that growth in Germany may accelerate. The IFO institute's business climate index advanced to 111.3 in February from 110.6, the fourth monthly gain and the strongest reading since July 2011. Economists predicted a decline to 110.5. A measure of current conditions rose to 114.4 in February from 112.4. A gauge of expectations dropped to 108.3 from 108.9.

The euro gave up gains after ECB Governing Council member Ignazio Visco said the ECB is ready to consider cutting its deposit rate into negative territory if needed. While few expect the ECB to adopt negative rates soon, concerns that the eurozone is at risk of slipping into deflation has kept speculation of further monetary easing alive.

Eurozone consumer prices fell in January at their fastest ever pace on a monthly basis, dragged down by a slump in the cost of non-energy industrial goods, keeping annual inflation well below the ECB's target. Inflation rate in the 18-nation eurozone dropped by 1.1% in January when compared with December, keeping the annual inflation rate at 0.8% for a second month in a row. Economists had expected 0.9%. The February flash estimate will be released on Friday February 28.

The final Q4 GDP for Germany, as expected, expanded at 0.4% q/q (1.4% y/y) unchanged from the earlier January estimate. French February manufacturing confidence survey came in as expected at 100, unchanged from last month. Italian February consumer confidence weakened to 97.5 from 98 in January and below forecasts for 98.5.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6850	1.6500
Spot Ref:	1.6676	
Tenor:	2 weeks	
Date:	26 Feb 2014	
Time:	11:15 hrs	
Resistance / Support:	1.6902	1.6331
Commentary:		



- UK unemployment rate unexpectedly rises in Q4 to 7.2% (Wed 19-Feb).
- UK retail sales decline most since April 2012 on clothing (Fri 21-Feb).
- BoE's McCafferty would fear further sterling rise (Mon 24-Feb).
- BBA Jan mortgage approvals at 49,972; up from 47,086 in Dec (Tue 25-Feb).

Britain's unemployment rate unexpectedly rose in Q4, suggesting the recent improvement in the labour market has lost some momentum. The jobless rate measured by ILO methods rose to 7.2%, the first increase since February last year, from 7.1% in the three months through November. Unemployment fell by 125,000 to 2.34 million people in Q4 compared with Q3. The ONS said the number of people claiming jobless benefits fell 27,600 in January and fell 27,700 in December (instead of 24,000).

Retail sales in the UK fell in January compared with a strong December, but overall consumer spending remained strong. Retail sales fell 1.5% in January. But year on year sales rose 4.3%. December had seen exceptionally strong growth with sales up 2.5% month on month and 6.1% on the previous year, the sharpest rise in sales for nearly a decade. Looking ahead, retail sales should be boosted by continued strong growth in employment, rising confidence and the gradual easing of the squeeze on real pay.

Further sterling strength would be a worry and could potentially make the BoE delay raising interest rates, BoE policymaker Ian McCafferty said in some of the central bank's most forceful recent comments on the pound's rise. Boosted by Britain's economic recovery, sterling has strengthened by more than 10% against the currencies of its main trading partners in less than a year, and earlier this month it hit its highest level in more than five years. "Were it to continue to rise, I would get more worried", McCafferty told Reuters in an interview conducted on Monday afternoon. The BoE has stressed it is in no rush to raise interest rates - a point McCafferty reiterated.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9100 0.8850
 Spot Ref: 0.8993
 Tenor: 2 weeks
 Date: 26 Feb 2014
 Time: 11:15 hrs
 Resistance / Support: 0.9191 0.8770
 Commentary:



- Aussie falls after bullish US Fed minutes (Wed 19-Feb).
- Aussie weakens after iron ore price slides (Mon 24-Feb).
- HSBC Flash China manufacturing PMI falls in February to 48.3 (Thu 20-Feb).
- Australian building construction unexpectedly fell 1.6% in Q4 (Wed 26-Feb).

The Aussie dollar fell after the release of Federal Reserve minutes showing it was determined to wind back its economic stimulus program. The minutes of the Fed's January policy meeting showed that members were determined to continue reducing its bond purchase program by \$US10 billion a month. The other important aspect of the minutes was that some members raised the possibility of increasing the federal funds rate relatively soon, maybe later this year.

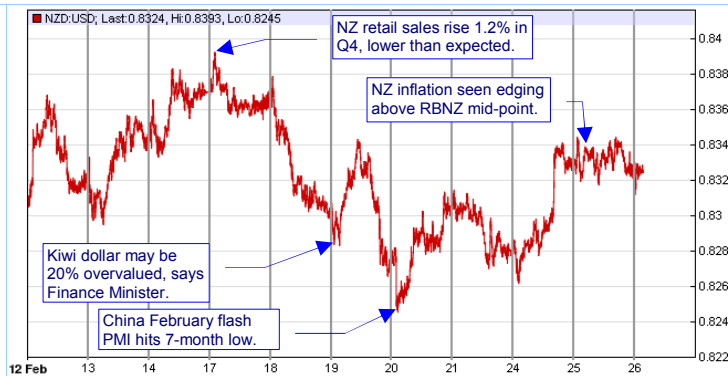
The preliminary China PMI from HSBC/Markit for February fell to a seven-month low of 48.3 in February from January's final reading of 49.5, as employment fell at the fastest pace in five years. While the Lunar New Year holiday likely affected the results, and recent rises in China's exports and bank lending assuaged some anxieties, the latest report followed a series of PMIs in January that showed growth in China's manufacturing and services sectors at multi-month or multi-year lows. Sustained weakness would put the onus on Chinese policymakers to act. The Aussie lost US 0.5 ¢ after the report was released, reflecting China's status as Australia's biggest export market.

Iron ore declined to US\$122.40 a metric ton on February 21, the lowest since February 13, according to data from The Steel Index Ltd. Total inventory of the steelmaking material at Chinese ports monitored by Shanghai Steelhome Information Technology Co. climbed to 100.9 million tons in the week ended February 21, the highest since at least March 2010. The increased stockpile looks like it's going to put downward pressure on iron prices, and it's coming at a time when some other data are suggesting that the Chinese economy is slowing down. It is a negative risk for iron ore prices and the Australian dollar weakened.

Riskier currencies such as the Aussie benefited from Wall Street's rise to near record highs on Monday as well as on hopes of stability in Ukraine.

The Australian dollar has slipped almost half a cent after a weaker than expected reading of construction work done for the December quarter. The latest data from the ABS, one of the indicators that will feed into the Q4 GDP figures released next week, showed that the value of construction work done fell 1% in Q4. Expectations were for a 0.2% rise. The ABS said **total building work** done in Q4, including homes and non-residential buildings like offices and shops, fell 1.6% from the September quarter.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8450 0.8200
 Spot Ref: 0.8324
 Tenor: 2 weeks
 Date: 26 Feb 2014
 Time: 11:15 hrs
 Resistance / Support: 0.8472 0.8120
 Commentary:



- NZ inflation seen edging above RBNZ mid-point this year (Tue 25-Feb).
- StatsNZ report on NZ trade balance (due on Thu 27-Feb, 05:45hrs SGT).
- Manufacturing sector in good shape: Castalia / BusinessNZ (Wed 26-Feb).
- ANZ business confidence survey (due on Fri 28-Feb, 08:00hrs SGT).

New Zealand inflation will average 2.03% in the coming year, just above the mid-point of the RBNZ's target range, as economic growth picks up pace and interest rates rise, according to the central bank's quarterly survey of expectations. Inflation expectations for the year ahead have risen from 1.94% in the December quarter, according to the survey of business managers, conducted by ACNeilson for RBNZ. Expectations for inflation two years ahead barely budged, slipping to 2.33% from 2.34%.

The survey comes ahead of the Reserve Bank's March 13 monetary policy statement, which is expected to include a 0.25% increase in the official cash rate to 2.75%, the first increase to a rate that's been kept at a record low 2.5% since March 2011. At Governor Graeme Wheeler's last review on January 30, he said the New Zealand economy has "considerable momentum" which will require interest rates to return to more normal levels as inflation stirs.

The manufacturing sector is still a huge contributor to the economy and output is increasing. There is, however, significant variance across the sector and many companies are still struggling to recover from the global financial crisis. The report by advisers Castalia showed the sector has maintained a strong position in the economy and between 2000 and 2012 output increased from NZ\$17.3 billion to over NZ\$19 billion. By mid-2013 there were 191,000 manufacturing jobs, and the fourth largest employer.



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