



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2550	1.2250
Spot Ref:	1.2389	
Tenor:	2 weeks	
Date:	03 Dec 2014	
Time:	10:15 hrs	
Resistance / Support:	1.2511	1.2214
Commentary:		



- Eurozone inflation falls to 0.3%, unemployment steady at 11.5% (Fri 28-Nov).
- Draghi treads path of ECB powerlessness toward QE without reform (Tue 02-Dec).
- Eurozone manufacturing stagnates as Big-Three nations contract (Mon 01-Dec).
- Markets' focus on ECB rates and stimulus plans (Thu 04-Dec, 20:45hrs SGT).

Inflation in the eurozone slowed to 0.3% in November from 0.4% in October, entirely due to an increased year-on-year drop in energy prices, Eurostat said. Core inflation for November, which strips out volatile items such as energy, food, tobacco and alcohol, stayed at 0.7%. Unemployment remained steady at 11.5% in October, unchanged from September despite a stagnating economy, but it was still lower than the 11.9% registered in October last year. Germany registered among the lowest unemployment rates at 4.9% in October, with Spain among the highest at 24%. In the EU28, unemployment stood at 10% in October this year, unchanged from September.

Europe's economy woes deepened last month, as growth in its manufacturing sector ground to a near-standstill. Markit's eurozone factory PMI fell to just 50.1 last month. The slowdown was driven by contractions in Europe's three largest economies -- Germany, France and Italy. That wiped out Spain's decent performance. The German factory PMI fell to just 49.5, as firms reported the sharpest drop in new orders in almost two years. This is the first time in 17 months that the German manufacturing PMI has contracted. The French factory PMI hit 48.4, inching below October's 48.5. The Italian manufacturing PMI came in at 49.0 for November, weaker than expected.

The view for ECB policy makers is of a eurozone populace so weary of years of economic turmoil that it's increasingly electing politicians who say no to pan-European cooperation and spurn reforms that the ECB says are vital to revive the economy. Trapped by their mandate to prevent deflation, officials fret they might be forced to roll out QE that can never succeed by itself. Draghi have urged governments to complement ECB stimulus by overhauling economies and bolstering investment. The response -- national foot-dragging on reform and an infrastructure plan from EC President Juncker that won't deliver spending until well into next year -- has disappointed.

In Europe, the final November service sector PMI reports for the Euro area, Germany and France will be published, together with first readings for Italy, Spain and the UK. Optimism grew in the markets over stimulus prospects prior to the ECB policy meeting tomorrow (Thu 04-Dec). President Mario Draghi said the ECB may broaden its asset-buying program to include government bonds, while central banks in Japan and China boosted stimulus measures.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5800	1.5550
Spot Ref:	1.5648	
Tenor:	2 weeks	
Date:	03 Dec 2014	
Time:	10:15 hrs	
Resistance / Support:	1.5782	1.5560
Commentary:		



- UK Q3 GDP rose an annualised 3%, but recovery unbalanced (Wed 26-Nov).
- UK manufacturing edges up in November despite lacklustre exports (Mon 01-Dec).
- UK consumer confidence stalls as economic outlook deteriorates (Fri 28-Nov).
- UK repo rate, half yearly update on the economy (Thu 04-Dec, 20:00hrs SGT).

The second estimate for UK Q3 GDP data was unchanged at 0.7%q/q and 3.0%/y, in line with expectations, confirming that the UK has now grown for the last seven quarters. Strong consumer and government spending drove Q3 growth as business investment and exports contracted against an increasingly uncertain global backdrop. Economists fear that the UK economy remains dangerously unbalanced. Business investment fell by 0.8% during the quarter, signalling that firms cut back on spending. And exports declined by 0.4%, which means the trade gap widened again. It was consumer spending (+0.8%) and government expenditure (+1.1%) that drove growth.

GfK's UK consumer confidence index held at **minus 2**, unchanged this month as Britons' willingness to make big purchases offset a deterioration in their outlook for the economy. A measure of shoppers' assessment of the climate for making major purchases rose 5 points to zero, while gauges of their economic and personal finance outlook both declined. The economic index is now at its weakest since 2013. GfK said it's possible that the "sluggishness" persists until the general election in May.

British manufacturing activity unexpectedly picked up a little speed in November as domestic demand offset falling exports due to sluggish orders from the Eurozone (hit by the weakening of the euro against sterling) and emerging markets. Markit/CIPS's UK manufacturing PMI rose to 53.5 from 53.3 in October, reaching its highest level in four months. Growth in new orders helped push up employment in the sector to a four-month high. The survey adds to signs that a slowdown in Britain's economic recovery at the end of 2014 is unlikely to be sharp. That will be welcome news for Chancellor George Osborne who is set to deliver a half-yearly update on the economy today.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.8700 0.8300
 Spot Ref: 0.8413
 Tenor: 2 weeks
 Date: 03 Dec 2014
 Time: 10:15 hrs
 Resistance / Support: 0.8694 0.8254
 Commentary:



- Australia manufacturing edges into expansion in November: AIG (Mon 01-Dec).
- RBA keeps rates on hold at 2.5% amid commodity selloff (Tue 02-Dec).
- China's official PMI slips to eight-month low in November (Mon 01-Dec).
- Australian Q3 GDP comes in at just 0.3% q/q, misses forecast (Wed 03-Dec).

A measure of Australian manufacturing activity inched into expansionary territory in November as sales, new orders and deliveries all improved even as firms continued to complain of intense import competition. The Australian Industry Group's performance of manufacturing index (PMI) rose 0.7 points to 50.1 in November. The lower Aussie dollar, an easing in energy costs, moderate wages growth and relatively low interest rates are all helping to underpin the sector's performance.

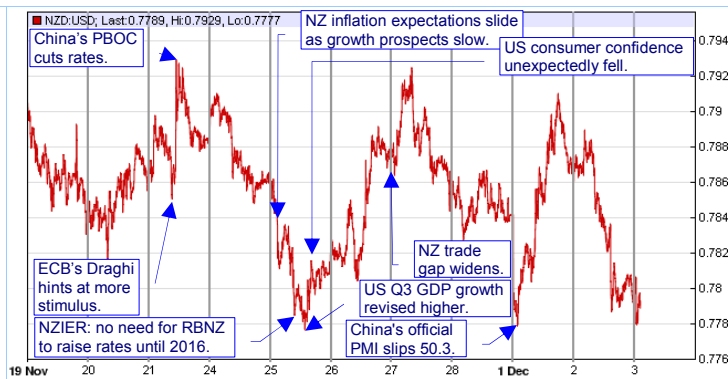
Growth in China's manufacturing sector slowed to an eight-month low in November, suggesting the world's second-largest economy is still losing momentum and more policy easing may be needed in addition to a surprise interest rate cut last month. The official PMI eased to 50.3 in November, the National Bureau of Statistics said on Monday, still indicating a modest expansion in activity but below forecasts for 50.6 and October's 50.8. Separately, HSBC said its private reading of China's manufacturing sector was stagnant last month, confirming a "flash" estimate already published. The index fell from 50.4 in October to a six-month low of 50.0 in November.

RBA kept interest rates at record lows for a 16th straight month on Tuesday. There was little relief for the Aussie as the RBA repeated the currency was overvalued given the ongoing slide in prices for many of the country's commodity exports. "Overall, the Bank still expects growth to be a little below trend for the next several quarters", said RBA Governor Stevens following the bank's monthly policy meeting. "On present indications, the most prudent course is likely to be a period of stability in interest rates."

Approvals to build new homes surged 11.4% in October as low rates revived the housing market, completely reversing a big fall in September and keeping the annualised pace of approvals near record peaks. This has important ramifications because the construction process has a sizeable multiplier effect and is very labour intensive.

Australia's economy grew at a slower-than-expected pace in Q3, underscoring growing concerns about its outlook and calls for the RBA to step in with easing measures. GDP for Q3 rose 2.7% from the year-ago period, falling short of a forecast for a 3.1% gain. The economy grew an annual 3.1% in Q2. Quarter-on-quarter, GDP climbed 0.3%, missing expectations of a 0.7% increase and falling from the 0.5% rise in Q2. The Australian dollar dived to fresh four-year lows in response.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.7950 0.7650
 Spot Ref: 0.7789
 Tenor: 2 weeks
 Date: 03 Dec 2014
 Time: 10:15 hrs
 Resistance / Support: 0.7933 0.7615
 Commentary:



- NZ trade deficit widens to NZ\$908 million in October from year ago (Thu 27-Nov).
- RBNZ's 25 years of inflation targeting, Wheeler talks down the kiwi (Mon 01-Dec).
- Government confident of budget surplus despite lower dairy prices (Thu 27-Nov).
- NZ Treasury's half year economic and fiscal update (Tue 16-Dec, 13:00hrs, NZT).

NZ's trade gap widened to NZ\$908 million in October of 2014 from a NZ\$169 million shortfall a year earlier. It is the largest October deficit since 2008, as exports to China fell sharply and imports of capital goods increased. Exports were valued at NZ\$4 billion, down 5.1% from October 2013. Exports to China fell 40%, with exports of milk powder falling 77%. Imported goods rose 12% from a year ago to NZ\$4.9 billion, led by capital goods (+31%). Imports from the EU increased NZ\$175 million (+26%).

The NZ government appears confident of still being in surplus when its books are opened in a fortnight (Tue 16-Dec, at 1pm NZT). There's speculation falling dairy prices may have put the surplus at risk, with the Finance Minister having already acknowledged there have been some pressures. "I think it's fair to say that the reduction in dairy prices is clearly having some impact", PM John Key was quoted as saying. "But the minister of finance remains confident we'll meet the surplus for 2014-15."

While inflation targeting "remains the appropriate focus for monetary policy", central banks may need to turn to macro-prudential tools "to help prevent asset price booms and complement monetary policy", RBNZ Governor Graeme Wheeler said at a speech titled "Reflection on 25 years of Inflation Targeting". The RBNZ has been able to deliver price stability without compromising NZ's long-term growth path. The governor reiterated that the NZ dollar remains unjustifiably and unsustainably high.



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