



## Short Term Currency Views

### Suggested MaxiYield Pairings

|                       |  |        |
|-----------------------|--|--------|
| Base Currency:        | EUR  | USD    |
| Alternate Currency:   | USD  | EUR    |
| Strike Price:         | 1.1500   | 1.1200 |
| Spot Ref:             | 1.1373   |        |
| Tenor:                | 2 weeks  |        |
| Date:                 | 25 Feb 2015  |        |
| Time:                 | 16:10 hrs  |        |
| Resistance / Support: | 1.1467   | 1.1191 |
| Commentary:           |  |        |
|                       | <ul style="list-style-type: none"> <li>German IFO confidence rose less than expected in February (Mon 23-Feb).</li> <li>US existing home sales slow in January (Mon 23-Feb).</li> <li>Eurozone backs Greek aid extension, seeks clearer reforms (Tue 24-Feb).</li> <li>Ukraine ceasefire deal falls apart (Mon 23-Feb).</li> <li>Greece sends comprehensive reform plan to lenders (Tue 24-Feb).</li> </ul>  |        |
|                       | <p>The German February IFO survey rose for the 4th straight month as faster economic growth and optimism over ECB's QE stimulus outweighed fears of a worsening Greek crisis. The IFO business climate edged higher to 106.8 (from 106.7) while the current assessment index eased slightly lower to 111.3 (from 111.7) but the expectations index rose higher to 102.5 (from 102).</p> <p>Kiev and its Western allies say they fear the rebels, backed by reinforcements of Russian troops, are planning to advance deeper into territory the Kremlin calls "New Russia". Moscow denies aiding the rebels. Western countries still hope the truce can be salvaged if the rebels halt, now that they achieved their objective at Debaltseve last week. Angela Merkel who was the driving force behind the peace deal, said in unusually strong terms that it was now clear that the ceasefire was not being implemented.</p> <p>The foreign ministers of France, Germany, Russia and Ukraine met on Tuesday in Paris to try to get the peace deal back on track. Ukraine's Foreign Minister Pavlo Klimkin said the three-hour meeting in Paris yielded no "breakthrough" as mostly technical issues were discussed.</p> <p>US January existing homes sales dropped 4.9% m/m to a 4.82 million annualized rate, the least since April 2014, according to the NAR. The decline was blame on the lack of supply (estimated at 4.7 months in January, where less than a five months' supply is considered a tight market) which in turn is driving up prices and hurting affordability. The median cost of a previously owned home climbed 6.2%/y in January.</p> <p>Greece sent a list of economic reform plans to European institutions and the IMF on Monday that was "a valid starting point" for talks over its bailout, the EC said Tuesday. Greece needed to present its plans as a condition for extending its bailout programme for an additional 4 months, in a deal struck with eurozone partners on Friday.</p> <p>Greece secured a four-month extension of its financial rescue on Tuesday when its eurozone partners approved a reform plan, as Athens backed away from some proposed measures and promised that spending to alleviate social distress would not derail its budget. Finance ministers sealed the decision in a telephone conference convened by Eurogroup chairman Jeroen Dijsselbloem after the leftist-led Athens government sent him a detailed list of reforms it plans to implement by the end of June.</p> |        |

|                       |   |        |
|-----------------------|---|--------|
| Base Currency:        | GBP   | USD    |
| Alternate Currency:   | USD   | GBP    |
| Strike Price:         | 1.5600  | 1.5300 |
| Spot Ref:             | 1.5504  |        |
| Tenor:                | 2 weeks   |        |
| Date:                 | 25 Feb 2015   |        |
| Time:                 | 16:10 hrs   |        |
| Resistance / Support: | 1.5587  | 1.5299 |
| Commentary:           |   |        |
|                       | <ul style="list-style-type: none"> <li>UK rates might rise sooner than markets think - BoE's Weale (Tue 24-Feb).</li> <li>Osborne given thumbs-up over health of UK economy: OECD (Tue 24-Feb).</li> </ul>  |        |
|                       | <p>BoE policymaker Martin Weale said on Tuesday it may be appropriate for the central bank to start raising interest rates "rather earlier than financial markets currently anticipate". Weale also said the risk of a fall in sterling because of concern about Britain's balance of payments deficit "remains substantial". Weale made the comments in an annual report to the Treasury Committee in Britain's parliament. He was one of two BoE rate-setters who voted to raise interest rates in late 2014 before they both changed their minds in January due to the sharp fall in global oil prices.</p> <p>The British Chancellor George Osborne still needs to "finish the job" to secure the UK's economic health, according to the OECD. The British economy has been given a resounding thumbs-up from a leading international think-tank which has urged the country to continue on the path of austerity in order to retain its place as one of the fastest growing economies in the developed world. In its latest economic survey of the UK, the OECD said growth would reach 2.6% this year, matching the expansion in 2014 and making Britain the fastest growing economy in the G7.</p> |        |

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.8000 0.7650  
 Spot Ref: 0.7881  
 Tenor: 2 weeks  
 Date: 25 Feb 2015  
 Time: 16:10 hrs  
 Resistance / Support: 0.7997 0.7609  
 Commentary:



- Fed's Yellen flags rate hikes on 'meeting-by-meeting' basis (Tue 24-Feb).
- NAB says the RBS is wrong! Aussie dollar isn't overvalued (Wed 25-Feb).
- Housing gives Australian construction sector a boost (Wed 25-Feb).

In prepared remarks to the US Senate Banking Committee Yellen described how the Fed's rate-setting policy committee will likely proceed in coming months - an effort to increase the Fed's flexibility and mute any potential market reaction as the central bank approaches its "liftoff" date. The committee will first drop the word "patient" from its statement, part of a phrase used since December to describe the Fed's approach to the timing of an initial rate hike, Yellen said.

The Australian construction sector activity improved at the end of 2014, helped by a surge in home building. The amount of construction work done in Q4 fell 0.2%, but that easily beat economists' expectations and was much better than the 2.8% fall in Q3. Home building made up for losses in other sectors, with residential work up by 2.5% in the quarter. Engineering work, which includes mines, roads, bridges and the like, was down 0.6%, the Australian Bureau of Statistics said.

The RBA's claim that the Australian dollar is overvalued is not only wrong, it's disingenuous, according to new research by National Australia Bank. In the RBA's recent monthly policy statements, the central bank frequently stated that the currency "remains above estimates of its fundamental value, given the significant declines in key commodity prices," particularly Brent crude's 40% decline over the past six months and a decline in iron ore prices to a six-year low. Fair value, according to RBA governor Glenn Stevens, is 75 US cents - a 4% decrease from current levels. However, data compiled by NAB paints a different picture: "From the peak in the commodity price cycle (in 2011) and the peak of the AUD TWI (in 2013), both have actually fallen both by a similar amount - 20% to 25%", NAB's co-head of FX Strategy Ray Atrill said. Moreover, it is disingenuous to compare changes in commodity prices with changes in the currency and implicitly suggest they should equate, NAB said.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.7750 0.7350  
 Spot Ref: 0.7551  
 Tenor: 2 weeks  
 Date: 25 Feb 2015  
 Time: 16:10 hrs  
 Resistance / Support: 0.7709 0.7370  
 Commentary:



- NZ export log prices rise to 9-month high, helped by lower kiwi dollar (Tue 24-Feb).
- NZ firms lower inflation expectations, see no RBNZ action this year (Tue 24-Feb).
- NZ minimum wage to increase to NZ\$14.75 (Wed 25-Feb).

NZ export log prices rose to a 9-month high in February as local returns were bolstered by a decline in the kiwi dollar and lower shipping costs. The average wharf gate price for NZ A-grade logs rose to \$110 a tonne, from \$103 a tonne in January, according to AgriHQ's monthly survey of exporters, forest owners and sawmillers. The AgriHQ Log Price Indicator advanced to a nine-month high of 97.95 from 95.39 in January. **Wood is New Zealand's third-largest commodity export.**

NZ businesses have again trimmed their expectations for inflation over the next two years and don't expect the RBNZ will need to raise interest rates this year. The CPI is seen rising an annual 1.11% on a mean basis in the year ahead, down from the 1.59% rate seen three months ago, according to RBNZ's survey of expectations. Two-year inflation expectations were lowered to 1.8% from 2.06% and respondents anticipate an increase in the CPI of just 0.04% for the March quarter and 0.32% for the June quarter. The next CPI reading (in April) will be a key event for the RBNZ and weaker inflation expectations slightly increase the near-term risk of an OCR cut.

The adult minimum wage will increase from NZ\$14.25 to NZ\$14.75 per hour from April 1st, the NZ government announced. According to Workplace Relations and Safety Minister Michael Woodhouse, the starting-out and training hourly minimum wages will increase by 40 cents to NZ\$11.80 an hour. "The Government has taken great care in setting these wage rates to ensure we maintain the balance between protecting our lowest paid workers and ensuring jobs are not lost. While annual inflation is currently at 0.8%, we are increasing the minimum wage by 3.5% which will benefit 115,100 workers and increase wages throughout the economy by NZ\$60 million per year".



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