



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3850	1.3550
Spot Ref:	1.3746	
Tenor:	2 weeks	
Date:	30 Oct 2013	
Time:	16:30 hrs	
Resistance / Support:	1.3842	1.3688
Commentary:		



- Eurozone business growth eases in October as demand falters (Thu 24-Oct).
- ECB's Nowotny reveals rate cut is unlikely, Euro rallies (Tue 29-Oct).

- Judges may threaten Portugal's bail-out exit (Mon 28-Oct).
- Strengthening of the USD ahead of US FOMC decision (Wed 30-Oct, 2pm NYT).

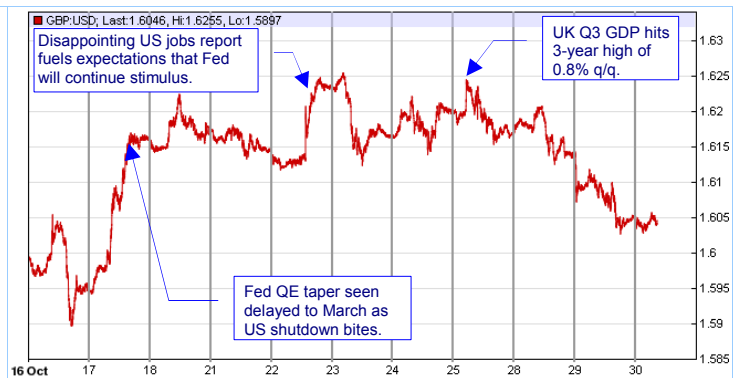
The pace of growth in eurozone business eased unexpectedly this month as the buoyant demand for services seen in September faded. Markit's Flash Composite PMI fell to 51.5 from September's two-year high of 52.2, below forecasts that predicted an uptick to 52.5. The survey showed that while the region's economic recovery is taking root, it remains delicate. Having escaped from recession in the second quarter, supported by strong growth in Germany, the 17-nation bloc's growth is only seen tepid at best through to at least 2015. This month factories in Germany again stepped up a gear, as expected, although the country's service industry saw a surprising fall in the pace of growth. And the situation was bleaker in France, where manufacturing activity declined at a faster pace and services expansion all but ground to a halt.

Portugal's government may need to win over judges as well as investors before returning to international bond markets. Part of the €3.2 billion of spending cuts included in the 2014 budget plan will probably be scrutinised by the Constitutional Court in Lisbon, the country's highest judicial body, after voting in Parliament next month. Judges already blocked austerity measures including pay cuts for state workers on three separate occasions this year.

The euro jumped about fifty pips against the US dollar, above 1.38, on ECB's Nowotny's revelation that there is no realistic prospect of a cut to the benchmark interest rate. The Austrian central bank president said that policy makers will have to live with a strong euro, and he also mentioned that the ECB will not likely cut the deposit rate either.

The US dollar strengthened further against most of the major FX pairs on Tuesday following the broad appreciation the day earlier as reports suggested that investors were taking profit ahead of the US FOMC decision even though the expectation is for the Fed to keep to the current QE buying after the FOMC decision on 30 October, providing no impetus to expect a stronger USD. Other reports suggested that traders were reducing risk by closing their short positions on the greenback.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6250	1.5950
Spot Ref:	1.6046	
Tenor:	2 weeks	
Date:	30 Oct 2013	
Time:	16:30 hrs	
Resistance / Support:	1.6193	1.5951
Commentary:		



- UK Q3 GDP hits 3-year high (Fri 25-Oct).
- UK mortgage approvals rise to highest in 5½ years (Tue 29-Oct).

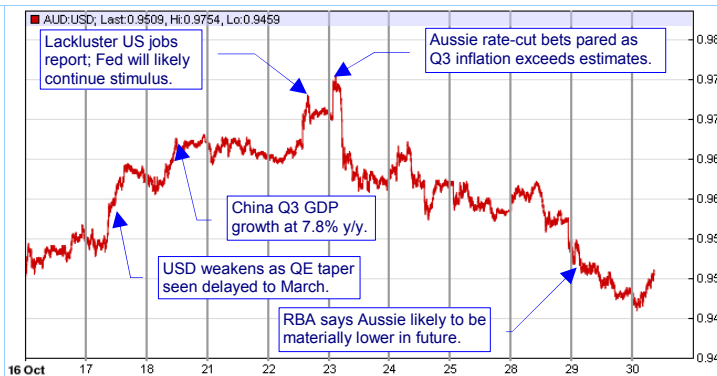
- Pound forecasts soar as BoE's Carney signals shift (Tue 29-Oct).

UK GDP rose by 0.8% q/q in Q3, up from 0.7% in Q2, while the y/y rate rose 1.5% in Q3, up from 1.3% in Q2, the highest in 10 quarters. The ONS said there had been a "fairly strong" performance across all sectors and is the best quarterly performance since 2010. Chancellor of the Exchequer George Osborne tweeted: "This shows that Britain's hard work is paying off & the country is on the path to prosperity." Deputy Prime Minister Nick Clegg said the figures "show that we are firmly on the road to economic recovery". The ONS data for construction was up 2.5% over the quarter, the second successive quarter of growth after a volatile performance over the past year.

The strong Q3 GDP data is causing traders to boost bets that the BoE will raise interest rates sooner than anticipated, even at the risk of letting the currency appreciate further. That would contrast with former Governor Mervyn King, who credited a weak pound with helping the UK avoid a deeper economic slump. Carney, who a day before the GDP report said there was "traction" in the economy, presents new quarterly forecasts on November 13. Investors will be watching for any sign of a switch in focus from boosting growth back to controlling inflation, which has been above the BoE's 2% target since 2009 and held at 2.7% last month. "The rise in the sterling exchange rate would reduce the extent to which imported prices were squeezing households' real incomes," according to minutes of the MPC, published October 23.

UK mortgage approvals rose to the highest in 5½ years in September, adding to signs of a strengthening property market that's being stoked by government incentives. Lenders granted 66,735 mortgages, the most since February 2008, compared with a revised 63,396 the previous month and higher than economists' forecast of 66,000. Home-loan rates fell to a record low, and gross mortgage lending was £15.6 billion, the highest since October 2008. Net mortgage lending rose £1.03 billion last month and consumer credit increased £411 million, the BOE said.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9650 0.9350
 Spot Ref: 0.9509
 Tenor: 2 weeks
 Date: 30 Oct 2013
 Time: 16:30 hrs
 Resistance / Support: 0.9612 0.9405
 Commentary:



- HSBC China flash PMI hits 7-month high in October (Thu 24-Oct).
- House prices rises cyclical: RBA's Stevens (Tue 29-Oct).

- RBA Stevens says Aussie likely to be materially lower in future (Tue 29-Oct).
- RBA rate cut can't be ruled out (next meeting scheduled for Tue 05-Nov).

The Markit/HSBC China flash PMI stood at 50.9 in October, above September's final reading of 50.2 and marking a seven-month high. Ten of 11 sub-indices rose. "China's growth recovery is becoming consolidated into the fourth quarter following the bottoming out in the third quarter" said Qu Hongbin an HSBC economist in a statement. "This momentum is likely to continue in the coming months, creating favourable conditions for speeding up structural reforms." The flash PMI showed new export orders ticked up only marginally, suggesting a stabilisation in global demand but no solid rebound. Still, many economists see growth slowing ahead as global demand remains soft.

RBA Governor Glenn Stevens said the Aussie's level isn't supported by costs and productivity in the economy and the nation's terms of trade are more likely to fall than rise. The Aussie dropped. "The foreign exchange market is perhaps another area in which investors should take care," Stevens said Tuesday in the text of a speech in Sydney. "It seems quite likely that at some point in the future the Australian dollar will be materially lower than it is today."

Stevens said that "some" rise in housing prices is a normal response to lower rates and will provide incentive for residential construction, adding that given credit growth is between 4% and 5% per annum at the moment, it is "a little too early to signal great concern" over price gains. Stevens said house prices aren't rising too fast but warned buyers not to over-extend themselves when taking out a home loan. "My own view has been that some rise in housing prices is part of the normal cyclical dynamic."

Comments from Stevens, are a reminder that another interest rate cut should not be ruled out. The RBA's board will hold its monthly monetary policy meeting next Tuesday. That's Melbourne Cup day, one of the RBA's favourite days for moving rates. This time around, the cash rate is likely to stay at its record low 2.5%. A cut to 2.25% next Tuesday is only about a one in 14 chance, according to data from the futures market.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8400 0.8100
 Spot Ref: 0.8279
 Tenor: 2 weeks
 Date: 30 Oct 2013
 Time: 16:30 hrs
 Resistance / Support: 0.8337 0.8195
 Commentary:



- RBNZ signals hesitation to raise borrowing costs (Fri 25-Oct).
- PM Key disagrees with doom-sayers over housing (Tue 29-Oct).

- Finance Minister trumpeting usage of asset sales money (Tue 29-Oct).
- RBNZ expected to keep rates unchanged (due on Thu 31-Oct, 04:00hr SGT).

The kiwi declined sharply after the RBNZ signalled hesitation to raise borrowing costs. The kiwi slid against all 16 major peers after RBNZ Governor Graeme Wheeler said he is concerned higher interest rates would drive up the currency and damage exports. 2-year interest-rate swaps fell for a 7th day, the longest stretch in almost 2 years.

NZ Finance Minister Bill English is already trumpeting what the funds raised by the partial float of two energy companies will be able to provide. Part of Meridian Energy goes up on the NZX on Tuesday with an IPO price set at NZ\$1.50. It comes just months after Mighty River Power had 49% of it go up for sale. Bill English says the proceeds from the partial sale of both will total around NZ\$3.6 billion. "600 million of it will go on the new Christchurch public hospital, it's money we don't have to borrow."

The RBNZ's restrictions on banks issuing low value ratio loans, has caused unease among new home buyers, with many seeing it as the final nail in the coffin for them ever getting into property. But Prime Minister John Key says that while banks have fewer of them to issue, there are still some available. Where they used to form 20% of their balance sheet, that's now 15%. And John Key says there's no indication that the number of homes being constructed is falling. "Last time I looked there was no indication that the number of homes being constructed is falling, in fact the consents were running for new homes at pretty similar levels."

The kiwi dollar rose to a five-month high on 22-Oct, reaching levels about 4% higher than RBNZ assumed in September, when it projected interest rates will start rising in the first half of next year. The RBNZ is expected to keep rates on hold at 2.5% tomorrow and may delay a rate rise to April given the "uncomfortably high" exchange rate.



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