



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3650	1.3450
Spot Ref:	1.3519	
Tenor:	2 weeks	
Date:	05 Feb 2014	
Time:	10:40 hrs	
Resistance / Support:	1.3562	1.3472
Commentary:		



- German consumer confidence starts 2014 on a strong note - GfK (Wed 29-Jan).
- Slump in eurozone money supply growth highlights deflation risk (Wed 29-Jan).
- Eurozone inflation drop in January gives ECB fresh headache (Fri 31-Jan).
- Eurozone manufacturing hits 32-month high in January: Markit (Mon 03-Feb).

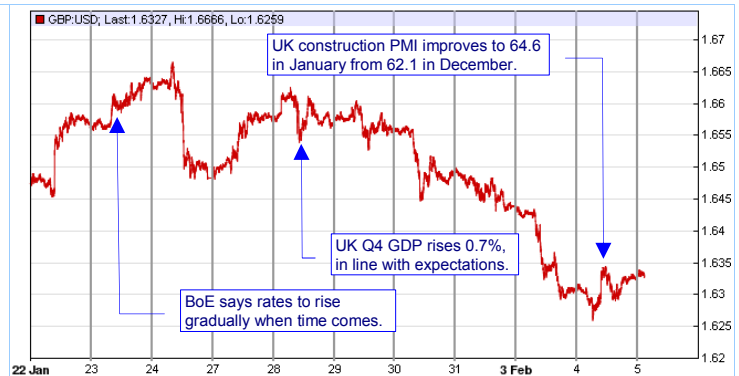
The German GfK consumer confidence survey index nudged higher whilst Italian's first national business survey for the year revealed a modest increase in overall economic sentiment although the manufacturing sector confidence index softened. GfK's headline household confidence index was forecast to rise to 8.2 in February from a revised 7.7 in January. GfK said consumers believe the economy is on the up, as indicated by the fifth consecutive monthly increase in economic expectations.

Eurozone money supply growth slowed sharply in December and loans to the private sector contracted further, putting pressure on the ECB to take fresh action to counter the threat of deflation. With eurozone inflation running well below its target, the ECB forcefully underlined its determination earlier this month to take action should a deflation risk arise. Data from the ECB showed that eurozone M3 money supply grew at an annual pace of 1.0% in December, slowing markedly from 1.5% in November.

Eurozone consumer price inflation dropped in January, bucking market expectations for a rise and providing a possible trigger for further easing by the ECB to sustain a fragile recovery and ward against deflation. Consumer price inflation in the 18-country bloc fell to 0.7% year-on-year in the first month of 2014, down from 0.8% in December, Eurostat said on Friday. Inflation last touched the 0.7% level in October, which was the lowest inflation reading for the single currency area in nearly four years.

Eurozone manufacturing activity hit a 32-month high in January, driven by economic powerhouse Germany and helped as struggling France finally picked up. The Markit Economics eurozone manufacturing sector PMI, a leading indicator of growth, rose to 54 points in January from 52.7 in December, moving further into positive territory. Markit said the expansion in January was the strongest since May 2011, with the headline figure rising in each of the last four months.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6500	1.6200
Spot Ref:	1.6327	
Tenor:	2 weeks	
Date:	05 Feb 2014	
Time:	10:40 hrs	
Resistance / Support:	1.6396	1.6222
Commentary:		



- House prices up by 0.7% in January, Nationwide says (Wed 29-Jan).
- London house prices show bubble risk, warns EY Item Club (Mon 03-Feb).
- Carney breaking from Draghi-Yellen inaction in market bets (Mon 03-Feb).
- January UK Markit/CIPS construction PMI 64.6 vs 61.5 expectation (Tue 04-Feb).

UK house prices increased by 0.7% in January, and were up 8.8% from the same month in 2013, according to the Nationwide. Activity in the housing market was returning to "more normal" levels. The momentum was the result of rising employment, low mortgage rates and higher confidence. The average price of a home stood at £176,491. The Nationwide's figures, based on its own mortgage data, come after surveys showed a sharp increase in housing market activity towards the end of 2013.

Investors are betting BoE Governor Mark Carney will lead the charge out of record-low interest rates as central banks pivot from fighting stagnation to managing expansions. Carney and BOE officials will be looking at the domestic recovery, and if that is strong enough, then they will feel comfortable increasing rates before the Fed. Money-market futures show an increase in early 2015, three months before the Fed raise the federal funds rate. ECB is forecast to maintain or even ease monetary policy.

London's housing market is beginning to show "bubble-like conditions" as overseas investors bid up prices and buyers take on more debt to purchase properties, according to the EY Item Club. People living outside the UK bought half of all new homes sold in London's best neighbourhoods in the two years till June, broker Knight Frank said in October. Values in London's best neighbourhoods, such as Mayfair and Knightsbridge, are 27% above their 2007 peak, broker Savills said in November.

Construction activity unexpectedly picked up more speed in Britain in January, with growth reaching its highest level since the financial crisis. The Markit/CIPS construction PMI rose to 64.6 in January from December's reading of 62.1, the sharpest expansion in UK construction activity since August 2007, when the financial crisis first started to take hold in Britain. There was rising levels of output across all three areas of construction, but it was residential that remained the best performing sub-category, with the latest expansion the sharpest since November 2003. It was boosted by growing demand for new homes and improving confidence within the UK property market.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 0.9000 0.8700
 Spot Ref: 0.8888
 Tenor: 2 weeks
 Date: 05 Feb 2014
 Time: 10:40 hrs
 Resistance / Support: 0.9077 0.8654
 Commentary:



- Final China HSBC manufacturing PMI dips to 6-month low in January (Thu 30-Jan).
- Aussie home prices up 1.2% in January (Mon 03-Feb).
- Aussie dollar soars after RBA keeps rates on hold at 2.5% (Tue 04-Feb).
- RBA shifts to neutral as it signals comfort with Aussie's level (Tue 04-Feb).

Business conditions for China's manufacturers worsened in January as output and new order growth weakened, a private survey showed last Thursday, pointing to a weak start for the economy in 2014. The Markit/HSBC final manufacturing PMI for January dipped to 49.5 from December's 50.5, the first deterioration in six months. The figure was in line with the 49.6 reported in the preliminary version of the PMI released a week earlier.

RBA Governor Glenn Stevens kept the overnight cash-rate target at 2.5%, saying in a statement in Sydney "the most prudent course is likely to be a period of stability in interest rates". He said the Aussie dollar's decline "will assist in achieving balanced growth", dropping references in past statements that it was "uncomfortably high".

The RBA signalled that its two-year easing cycle has come to an end, with the next move likely to be an increase. The shift in communication triggered a surge in the Aussie dollar, which jumped more than 1 US cent. However in a statement released after Tuesday's meeting, Stevens highlighted the unexpected surge in Q4 inflation and the recent fall in the Aussie dollar. In a sign that the bank has shifted its thinking on the outlook for inflation, the governor said growth in consumer prices is expected to be "somewhat higher" than it forecast in November. Stevens said the RBA expects the economy to expand below its average "for a time yet" and for unemployment to rise further before it peaks. "Beyond the short term, growth is expected to strengthen, helped by continued low interest rates and the lower exchange rate," he said.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8350 0.8050
 Spot Ref: 0.8202
 Tenor: 2 weeks
 Date: 05 Feb 2014
 Time: 10:40 hrs
 Resistance / Support: 0.8390 0.7978
 Commentary:



- Wheeler keeps OCR at 2.5%, expects to start hiking rates 'soon' (Thu 30-Jan).
- Kiwi not expected to reach parity with Aussie this year, poll shows (Thu 30-Jan).
- Home building consents rise 7.6% in Dec, annual pace at 6-year high (Thu 30-Jan).
- NZ Q4 unemployment falls to 3-year low; employment rose 1.1% (Wed 05-Feb).

As widely anticipated, the RBNZ refrained from lifting the OCR from 2.5%, a level that has been in place for almost three years. However, comments from Governor Wheeler did not deviate from prior statements as he continues to hint at hikes in the key benchmark interest rate moving forward. The RBNZ next reviews policy settings on March 13. While a strong kiwi dollar was keeping a lid on tradable inflation, "the bank does not believe the current level of the exchange rate is sustainable in the long-run," Wheeler said. Following the decision not to change rates, the kiwi dollar dropped sharply. Wheeler said inflationary pressures are likely to increase in the next two years, and figures this month showed consumer prices rose at an annual 1.6% pace in the December quarter, slightly ahead of expectations.

The kiwi dollar, which touched an eight-year high against its Australian counterpart this month, is not expected to climb to parity in 2014 as a strong local currency dents exports and Australia's economy picks up following the end of a mining boom. The two currencies were last at parity in 1973, when they were both fixed.

NZ building consents for residential housing rose 7.6% in December, taking the annual level of new permits issued by local councils to a 6-year high. Annual residential issuance rose 30% to an unadjusted 21,300 in 2013 from a year earlier, the most since 2007 when 25,590 permits were issued. Of that, 18,892 new houses received consents, up 25% on the year, and 2,408 new apartments were consented, a gain of 38%. The annual gain in new dwelling consents was driven by increases in Auckland and Christchurch, the country's two biggest cities, whose property markets have been bubbling away due to a lack of housing stock.

NZ's unemployment rate fell to a 3-year low in Q4 of 2013, led by job growth in the retail, accommodation and hospitality sectors. The unemployment rate fell to 6%, down from 6.2% in Q3, according to StatsNZ's household labour force survey. That's the lowest jobless rate since June 2009. Employment rose 1.1% in Q4, beating a 0.5% forecast, led by gains in retail, accommodation and food services, construction, and professional scientific, technical, administration and support services. Employment grew 3% on an annual basis. NZ's participation rate rose to 68.9% in Q4 from 68.6% in Q3, up 0.7% from a year ago, against a backdrop of rising inbound migration.



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