



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2100	1.1750
Spot Ref:	1.1871	
Tenor:	2 weeks	
Date:	07 Jan 2015	
Time:	10:45 hrs	
Resistance / Support:	1.2084	1.1744
Commentary:		

- Draghi: Risk of ECB failing its mandate higher than six months ago (Fri 02-Jan).
- Germany believes eurozone could cope with Greece exit (Sat 03-Jan).
- Eurozone factory activity ends 2014 on subdued note - PMI (Fri 02-Jan).
- Eurozone services PMI revised down in December (Tue 06-Jan).

ECB President Mario Draghi said the risk of the ECB not fulfilling its mandate of preserving price stability was higher now than half a year ago, and reiterated its readiness to act early this year should it become necessary. Consumer price data for the eurozone due on January 7 are widely expected to show a fall in annual terms. "We are in technical preparations to adjust the size, speed and compositions of our measures early 2015, should it become necessary", said Draghi. "There is unanimity within the Governing Council on this". The ECB council meets on January 22 and markets are wagering it will finally decide to start buying sovereign debt.

Eurozone manufacturing ended 2014 on a subdued note as output, new orders and employment all recorded sluggish growth, a survey showed on Friday, adding to pressure on the ECB to boost the economy. Also of concern to policymakers, who are struggling to nurture growth and ward off deflation, the survey showed factories cut prices for the fourth month running and activity was weak in Germany, Europe's largest economy. The downturn also deepened in France, the bloc's second-biggest economy. Markit's final December manufacturing PMI stood at 50.6, down from an earlier flash reading of 50.8 but beating November's 17-month low of 50.1.

The German government considers a Greece exit almost unavoidable if the leftwing Syriza opposition party led by Alexis Tsipras wins an election set for January 25. The Greek election was called after lawmakers failed to elect a president last month. It pits Prime Minister Antonis Samaras' conservative New Democracy party, which imposed unpopular budget cuts under Greece's bailout deal, against Tsipras' Syriza, who want to cancel austerity measures and a chunk of Greek debt.

Markit's services PMI was marked down from the initial reading of 51.9 in December to 51.6. That dragged the composite PMI - which includes manufacturing - down to 51.4 for the month. France and Germany's PMIs were revised up for the month. But Italy continues to disappoint, with its services PMI slipping below the 50 mark to 49.4.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5450	1.5050
Spot Ref:	1.5137	
Tenor:	2 weeks	
Date:	07 Jan 2015	
Time:	10:45 hrs	
Resistance / Support:	1.5453	1.5057
Commentary:		

- UK consumer lending soars as mortgage approvals edge down (Fri 02-Jan).
- UK construction grew at slowest pace in 17 Months in December (Mon 05-Jan).
- UK manufacturing growth cools unexpectedly in December - PMI (Fri 02-Jan).
- UK services growth wanes unexpectedly to 19-month low (Tue 06-Jan).

Lending to British consumers surged at its fastest rate in nearly a decade in the three months to November, and business lending showed some signs of picking up despite a continued slowdown in the housing market. The BoE said that consumer lending beat economists' expectations to rise at an annualised rate of 8.3% in the three months to November, a pace last seen in October 2005. Mortgage approvals for house purchase dropped less than expected to 59,029 in November, from 59,511 in October.

British manufacturing expanded at a much weaker pace than expected in December, suggesting its contribution to the economic recovery ebbed further in the final months of 2014, a survey showed on Friday. The Markit/CIPS UK Manufacturing PMI fell to 52.5 from 53.3 in November, hitting a three-month low and falling short of all forecasts in a Reuters poll of economists which had predicted a rise to 53.7. The PMI showed growth in new factory orders fell to a three-month low, while export orders stagnated.

UK construction grew at the slowest pace in 17 months in December as house building and commercial work cooled and civil engineering declined. Markit's PMI fell to 57.6 from 59.4 in November, below forecast for 59. House building remained the strongest-performing category, though expansion moderated to its least marked since June 2013. Residential construction had the strongest calendar year in 2014 since 1997, Markit said.

The Markit/CIPS UK Services PMI suffered its biggest decline in more than three years in December, falling to 55.8 from 58.6 in November to touch its lowest level since May 2013. Markit said the PMI signalled Britain's economy grew by 0.5% in Q4 of 2014, slowing from 0.7% in Q3. The composite PMI, which combines surveys of the services, manufacturing and construction industries, also declined to its lowest level since May 2013 at 55.4, down from 57.8 in November.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 0.8200 0.7950  
 Spot Ref: 0.8073  
 Tenor: 2 weeks  
 Date: 07 Jan 2015  
 Time: 10:45 hrs  
 Resistance / Support: 0.8184 0.7956  
 Commentary:



- China December factory PMIs suggest economy cooling further (Thu 01-Jan).
- Australian manufacturing took a tumble in December (Mon 05-Jan).
- Better than expected trade data boost Aussie dollar (Tue 06-Jan).
- China December HSBC services PMI at 3-month high (Tue 06-Jan).

China's official manufacturing PMI slipped to 50.1 in December from November's 50.3, a government study showed on Thursday, its lowest level of the year and clinging just above the 50-point level that separates growth from contraction on a monthly basis. Analysts polled by Reuters had forecast a reading of 50.1.

Australia's manufacturing industry has declined sharply, with the lower Australian dollar failing to lend a hand. Manufacturing fell by 3.2 points to 46.9 in December, according to the Australian Industry Group's performance of manufacturing index (PMI) on Monday. The index dropped well below the 50-level that separates expansion from contraction. Although the currency had depreciated, trading at 4½ year lows during December, survey respondents said the level of the Aussie was still encouraging strong import competition. Four of eight manufacturing sub-sectors expanded in December, including food, beverages and tobacco. Meanwhile, the machinery and equipment sub-sector remained in contraction, where it has been for three years, and is likely to worsen as car production in Australia reduces more sharply in 2015.

The Australian dollar bounced back from Monday's five-year lows, propelled by better than expected trade figures on Tuesday. Australia's trade deficit widened to A\$925 million in November, seasonally adjusted, but the result was significantly smaller than the A\$2 billion deficit economists were expecting.

China's services sector grew at its fastest pace in three months in December as new orders remained strong. The robustness in the services sector contrasted sharply with surveys last week which showed Chinese factories were struggling at the end of 2014. The HSBC/Markit Services PMI picked up to 53.4 last month from November's 53.0. A similar official survey released last week showed similar strength, with the services PMI rising to 54.1 in December from November's 53.9.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.7850 0.7600  
 Spot Ref: 0.7756  
 Tenor: 2 weeks  
 Date: 07 Jan 2015  
 Time: 10:45 hrs  
 Resistance / Support: 0.7879 0.7621  
 Commentary:



- ANZ says 2015 a year of economic expansion for NZ (Mon 05-Jan).
- NZ dollar suffers as investors back US economic recovery (Mon 05-Jan).
- Auckland house prices hit new record in December amid tight supply (Tue 06-Jan).
- NZ dollar gains after dairy auction prices rose 3.6% (Wed 07-Jan, NZT).
- NZ export commodity prices fall for 10th month, ANZ says (Wed 07-Jan).
- NZ building permit data for November (due Fri 09-Jan, 05:45hrs SGT).

ANZ chief economist Cameron Bagrie said NZ's economy had passed the economic recovery phase having not experienced a downturn since 2010. The year ahead will be one of "pure economic expansion" for NZ. There were some challenges ahead for NZ including a significant national debt burden, high levels of household debt, an overvalued property market and a current account deficit, he said. "Slowly but surely the ship is getting turned around and pointed in the right direction."

US Q3 GDP was revised higher before Christmas and last week's US ISM manufacturing index of 55.5 showed the sector remains resilient. With US dollar strengthening, BNZ said "over the longer term, we continue to expect further NZD/USD weakness", with the kiwi falling to US70¢ by the end of 2015 and to US66¢ by the end of 2016.

Auckland's average house sale price rose to a new record in December as sales volumes for the month surged to a 12-year high amid tight supply. House sales climbed 28.5% to 1,050 in December from a year ago, their highest level for the shorter December trading month since 2002. December's average price increased 8.4% to a record NZ\$758,891 from a year ago while the number of properties at the end of the month declined 16% to a decade low of 2,500, representing less than two months' stock.

The kiwi dollar outperformed its peers overnight after prices rose 3.6% at the latest dairy auction as volumes fell, stoking optimism about a recovery ahead for NZ's largest commodity export after a 48% fall in prices last year. Skim milk powder rose 2.8% while whole milk powder rose 1.6%. Separately, the ANZ Commodity Price Index falls 4.4% from November. Compared to a year ago, commodity prices fell 17.2%/y, the biggest annual decline in 2½ years. In NZ dollars, prices fell 3.8%/m and 13.7%/y.



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