

Weekly FX Market Outlook (15 January 2013)

Currency Pair	Market Outlook
EUR/USD	<ul style="list-style-type: none"> The euro's gains have accelerated after ECB President, Mario Draghi, mentioned his positive view towards euro zone future and signaled no imminent rate cuts, while taking a longer-term perspective, market is still worried about (1) the further movement of political powers in the region and (2) the negative growth outlooks reflecting from its economic data.
GBP/USD	<ul style="list-style-type: none"> Medium-term outlook on sterling remains moderately bearish with support at \$1.5940/60, reflecting the U.K. persistent economic underperformance, expectations of further quantitative easing by the Bank of England in the coming meeting, GBP's adverse policy environment, and the likelihood that the nation will miss debt target again.
USD/JPY	<ul style="list-style-type: none"> Driven by the aggressive inflation target set by Shinzo Abe towards BoJ and worsening Japan's current account, the yen edges up after hitting 29-month low. Market widely believes it would trade within 85 to 90 before the next BOJ meeting while there is a potential yen rebound after the meeting.
AUD/USD	<ul style="list-style-type: none"> Amid strong China trade data and brightening outlook on Europe, the demand for risk assets is fueled and drifts Aussie toward Sept. 16's high. The recovery of Japan, which is Australia's second largest export market, may be another catalyst for Aussie up. The downside risk would concern about the interest rate cut due to the potential of economy recession.
NZD/USD	<ul style="list-style-type: none"> NZD/USD continues to trade in a defined range, with important resistance levels at \$0.8477, while a break of downside support zone \$0.7982 is required to confirm a bearish development, implying a deeper corrective phase may be underway. The bearish development regarding its interest rate outlook in Aussie may see the kiwi to outperform which is another high-yield currency in the market.
USD/CAD	<ul style="list-style-type: none"> CAD remains well-supported, driven by better-than-expected growth in China, diminishing tail-risks of a European sovereign debt meltdown, a hawkish tone to domestic interest rates and a sense that the USA will find a way to skirt around the debt ceiling issue.
USD/CHF	<ul style="list-style-type: none"> The Swiss Franc weaken by mid-term mainly is driven by (1) the upside trend of EUR/CHF given that the SNB remains determined to keep the cap at CHF 1.20 per euro to support the economy and stave off deflation; (2) renewed concerns over euro zone crisis which may spur demand for dollar as a refuge.
USD/CNY	<ul style="list-style-type: none"> Spread between CNH and CNY widens after recent data surprised on the upside. Strong demand for CNH is mainly driven by the market expectations that the yuan will gain further (1-2% is expected this year), reflecting a better growth outlook. The potential inflation from solid recovery may trigger inflationary pressure on the currency.

Weekly FX Summary (7 January 2013 - 11 January 2013)					
Currency Pair	Weekly Open	Weekly High	Weekly Low	Weekly Close	Medium-Term Comment
EUR/USD	1.3070	1.3365	1.3016	1.3360	EUR Neutral
GBP/USD	1.6072	1.6177	1.5990	1.6130	GBP Underperform
USD/JPY	88.78	89.44	88.66	89.17	JPY Underperform
AUD/USD	1.0595	1.0598	1.0525	1.0532	AUD Neutral
NZD/USD	0.8454	0.8460	0.8359	0.8362	NZD Outperform
USD/CAD	0.9828	0.9853	0.9811	0.9846	CAD Neutral
USD/CHF	0.9241	0.9285	0.9108	0.9124	CHF Neutral
USD/CNY	6.2230	6.2230	6.2129	6.2156	CNY Outperform

Interest Rate Views (15 January 2013)

Interest Rates	Market Views
US Federal Fund Rate	The Fed still committed itself to expanding the Fed's balance sheet in last FOMC meeting, but the statement does not like last time to maintain near-zero rates for a considerable time (now mid-2015) while changes to keep the low rate until the economy rebounds and unemployment rate below 6.5%. Given the current recovery path in U.S. growth and job market with the high unemployment rate, it is still widely expected that the central bank will remain highly accommodative for a considerable time.
EZ Refinancing Tender Rate	The European Central Bank dampened the chances of a euro zone rate to stimulate lending and support growth after its President, Draghi, suggested an interest rate cut was off the agenda and pointed to signs of improvement in the Euro Zone economy but the poor economic outlook still raised concern about the interest rate cut.
CA Target Overnight Rate	The Bank of Canada remains modestly hawkish regarding its interest rate move in the coming year as the high ratio of Canadian household debt.
CH 3-Month LIBOR Target Range	Normalization of interest rates is not expected as a strengthening franc could exert dampening effects on domestic economic activity where growth remains sluggish within the euro zone.
JP Uncollateralized O/N Call Rate	Given the continued weakness in the nation's growth and a decline in inflation expectations with the victory of conservative Liberal Democratic Party of Japan (LDP) in elections, the Bank of Japan is committed to continuing the virtually zero interest rate policy and more asset buying is widely anticipated.
UK Repo Rate	Given the sluggish global growth outlook, the Bank of England will stay on the interest rate sidelines for longer. Given the persistent weakness in growth and confidence, the chance of more QE later is widely expected.
AU Cash Rate	Even the recent positive outlook on China and Europe, markets are pricing a one-in-three chance of a quarter point rate cut in February with inflation remaining at bay due to the weak economic outlook.
NZ Official Cash Rate	New Zealand's central bank signaled it may keep official cash rate at a record low for much of 2013 first quarter as sustained strength in local currency keeps a lid on inflation, and creates drag on the economy. (The strong kiwi is detrimental to the tradable sector, undermining the nation's economic recovery.)
CN Benchmark interest rates	Economic data suggests growth has stabilized in 2012, reducing the need for further policy easing in the near-term. Monetary easing, in the form of an interest rate cut or an RRR cut, is becoming less likely as the central bank has actively utilized reverse repo to inject liquidity into the banking system, making timing of RRR less predictable. On the other hand, the inflation risk is a main concern for the central bank to cut the rate.

Upcoming Central Bank Meetings						
Central Banks		Meeting	Forecast	Previous	Last Change Date	Last Move
US, FOMC	Federal Funds Rate	29-30 Jan, 13	0 – 0.25%	0 – 0.25%	16 Dec, 08	-0.75%
Eurozone, ECB	Refinancing Tender Rate	7 Feb, 13	0.75%	0.75%	5 Jul, 11	-0.25%
Canada, BoC	Target Overnight Rate	23 Jan, 13	1.00%	1.00%	8 Sep, 10	+0.25%
Swiss, SNB	3-Month LIBOR Target Range	14 Mar, 13	0 – 0.25%	0 – 0.25%	3 Aug, 11	-0.50%
Japan, BoJ	Uncollateralized O/N Call Rate	21 Jan, 13	0 – 0.10%	0 – 0.10%	5 Oct, 10	-0.05%
United Kingdom, BoE	Repo Rate	7 Feb, 13	0.50%	0.50%	5 Mar, 09	-0.50%
Australia, RBA	Cash Rate	5 Feb, 13	3.00%	3.00%	4 Dec, 12	-0.25%
New Zealand, RBNZ	Official Cash Rate	31 Jan, 13	2.50%	2.50%	10 Mar, 11	-0.50%

Sources: Reuters

Last Economic Indicators (7 January 2013 – 11 January 2013)

HKT	Ctry	For	Economic Indicator & Events	Actual	Forecast	Previous
7 January 2013 Monday						
1800	EZ	Nov	Producer Prices MM/YY	-0.2/ 2.1	0.0/ 2.4	0.1/ 2.6
1600	GB	Dec	Halifax House Price MM	1.3	0.0	1.0
1730	EZ	Jan	Sentix Index	-7.0	-15.0	-16.8
2300	CA	Dec	Ivey PMI	43.1	-	46.4
8 January 2013 Tuesday						
0800	UK	Dec	BRC Retail Sales	0.3%	-	0.4%
0830	AU	Nov	Trade Balance	-2637M	-2300M	-2443M
1445	CH	Dec	Unemployment Rate	3.0%	3.0%	3.0%
1500	GER	Nov	Exports/ Imports MM	-3.7%	0.4%	2.5%
1700	IT	Nov	Unemployment Rate	11.10%	11.20%	11.10%
1800	EZ	Dec	Business Climate	-1.1	-1.1	-1.2
1800	EZ	Dec	Consumer Sentiment	-27	-27	-27
9 January 2013 Wednesday						
0545	NZ	Nov	Building Permits MM	-5.4%	-	-1.5%
0830	AU	Nov	Retail Sales MM	-0.1%	0.3%	0.0%
2115	CA	Dec	Housing Starts	198.0K	195K	196.1K
10 January 2013 Thursday						
0545	NZ	Nov	Trade Balance	-700M	-670M	-718M
0830	AU	Nov	Building Approvals YY	2.9%	11.60%	14.50%
N/A	CN	Dec	Trade Balance	31.6B	19.7B	19.6B
2000	UK	Jan	BoE Repo Rate Announces	0.5%	0.5%	0.5%
2045	EZ	Jan	ECB Refinancing Tender Rate Announces	0.75%	0.75%	0.75%
2130	CA	Nov	New Housing Price Index YoY	0.10%	0.20%	2.40%
2130	US	W/E	Initial Jobless Claims	371K	361K	372K
2130	US	Dec	Continuing Claims	3109M	3230M	3245M
11 January 2013 Friday						
0750	JP	Nov	Current Account YY	-222.40B	-3.50B	376.90B
0930	CH	Dec	Consumer Price Index MM/YY	0.80%/2.50%	0.50%/2.30%	0.10%/2.00%
1730	UK	Nov	Industrial Output YY	-2.40%	-2.00%	-3.00%
1730	UK	Nov	Manufacturing Output YY	-2.10%	-1.30%	-2.10%
2130	US	Nov	Trade Balance	-	-41.2B	-42.2B

Sources: Reuters

***Economic Terms:**

CPI	Consumer Price Index	RPI	Retail Price Index
GDP	Gross Domestic Product	MM	Month to month
HPI	House Price Index	QQ	Quarter to quarter
PCE	Personal Consumption Expenditures	YY	Year to year
PMI	Purchasing Manager Index	NSA	Non-Seasonal Adjustment
PPI	Producer Price Index	SA	Seasonal Adjustment

Upcoming Economic Indicators (14 January 2013 – 18 January 2013)

HKT	Ctry	For	Economic Indicator & Events	Actual	Forecast	Previous
14 January 2013 Monday						
0830	AU	Nov	Housing Finance	-0.5%	0.3%	0.1%
1800	EZ	Nov	Industrial Production MM/YY	-0.3%/ -3.7%	0.1%/ -3.2%	-1.4%/ -3.6%
1700	IT	Nov	Industrial Out YY	-7.6%	-5.0%	-6.2%
15 January 2013 Tuesday						
0750	JP	Dec	Corp Goods Price MM/YY	-	0.2%/ -0.7%	0.0%/ -0.9%
0750	JP	Nov	Machinery Orders MM/YY	-	0.3%/ -6.5%	2.6%/ 1.2%
1500	GER	Dec	CPI Final MM/YY	0.9%/ 2.1%	0.9%/ 2.1%	0.9%/ 2.1%
1730	UK	Dec	Consumer Price Index MM/YY	-	0.5%/ 2.7%	0.2%/ 2.7%
1730	UK	Dec	PPI Input Price MM/YY	-	-0.1%/ 0.2%	0.1%/ -0.3%
1800	EZ	Nov	Euro Stat Trade NSA	-	9.0B	10.2B
1545	FR	Nov	Budget YTD	-	-	-94.60B
1700	IT	Dec	Consumer Price Final MM/YY	-	0.3%/ 2.4%	0.3%/ 2.4%
2130	US	Jan	NY Fed Manufacturing	-	0.00	-8.10
2130	US	Dec	Retail Sales MM	-	0.2%	0.3%
16 January 2013 Wednesday						
0730	AU	Jan	Consumer Sentiment	-	-	-4.1%
1300	JP	Dec	Consumer Confidence Index	-	-	39.4%
1800	EZ	Dec	Inflation Final MM/YY	-	0.3%/ 2.2%	-0.2%/ 2.2%
1700	IT	Nov	Global Trade Balance	-	-	2.452B
1615	CH	Nov	Retail Sales YY	-	3.2%	2.7%
17 January 2013 Thursday						
0830	AU	Dec	Unemployment Rate	-	5.4%	5.2%
0545	NZ	Q4	CPI QQ/YY	-	0.1%/1.2%	0.3%/0.8%
1615	CH	Dec	Producer/ Import Price MM/YY	-	0.0%/ 0.9%	0.0%/ 1.2%
1630	HK	Dec	Unemployment Rate	-	-	3.4%
0750	JP	W/E	Foreign Bond Investment	-	-	-398.2B
18 January 2013 Friday						
1000	CN	Dec	Industrial Output YY	-	10.1%	10.1%
1000	CN	Q4	GDP QQ YY	-	7.8%	7.4%
1230	JP	Nov	Industrial Out Rev	-	-	-1.7%
1730	UK	Dec	Retail Sales MM/YY	-	0.2%/ 1.1%	0.0%/ 0.9%
1700	IT	Nov	Industrial Sales MM/YY	-	-	-0.2%/ -4.7%
2130	CA	Nov	Manufacturing Sales MM	-	-	-1.4%

Sources: Reuters

***Economic Terms:**

CPI	Consumer Price Index	RPI	Retail Price Index
GDP	Gross Domestic Product	MM	Month to month
HPI	House Price Index	QQ	Quarter to quarter
PCE	Personal Consumption Expenditures	YY	Year to year
PMI	Purchasing Manager Index	NSA	Non-Seasonal Adjustment
PPI	Producer Price Index	SA	Seasonal Adjustment

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