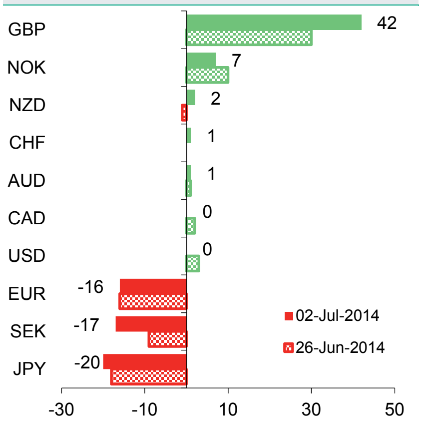
FX STRATEGY | **FX WEEKLY**

Global FX Plus

03 July 2014

Non Independent – Marketing Communication

BNPP Estimated FX Positioning



Which is the Top Commodity Currency?

FX Recommendations

- Short AUDCAD at 1.0070, targeting 0.9700, stop loss 1.0245
- Long USDJPY at 101.85, targeting 105.50, stop loss 100.65
- Short EURUSD at 1.3620, targeting 1.3200, stop loss 1.3820
- Short EURGBP at 0.8140, targeting 0.7800, stop loss trailed to 0.8070
- Long EURCHF at 1.2305, targeting 1.2500, stop loss 1.1970

G10 Themes

Commodity FX focus: Short AUDCAD

- AUD is likely to continue to benefit from resilient risk sentiment
- But Australia's domestic story is not AUD-supportive
- We go short AUDCAD at 1.0070 targeting 0.9700, stop at 1.0245.

Balance of payments dominate in low-conviction markets

- Risk-taking in G10 FX appears to be at a three-year low. Seasonality suggests it will remain low over the summer.
- This allows other factors, such as basic balance of payments flows, to have more impact on FX markets.
- BoP trends suggest upward pressure on the CHF and SEK and depreciation pressures on the USD, CAD and NZD.

Local Markets Themes

KRW – What can the BoK do?

- The KRW is approaching psychologically important levels and the delta for policy reaction is growing in our view.
- We think the authorities are likely to use a soft, multi-pronged approach although, between capital control, a rate cut and fiscal stimulus, the latter is the most logical way to bring down the current account surplus.
- Stay received front-end and expect a more spirited defence of the 1000 level in USDKRW.

Currency Views

	Current	1 Month	3 Month
EURUSD	1.3610	1.34	1.32
USDJPY	102.20	108	109
EURCHF	1.2160	1.24	1.24
GBPUSD	1.7140	1.69	1.69
AUDUSD	0.9360	0.92	0.92
USDCAD	1.0650	1.09	1.10

Current FX Recommendations[1]

Portfolio Overview Spot

Entry Date	Position	Entry Rate	Stop Loss	Target Rate	Close Rate	Close Date	Return (%)
02-Jul-14	Short AUDCAD	1.0070	1.0245	0.9700			1.27
AUD is likely to continue to benefit from resilient risk sentiment But Australia's domestic story is not AUD-supportive							
19-Jun-14	Long USDJPY	101.85	100.65	105.50			0.35
Reallocation towards foreign assets for Japan's GPIF could be sizeable (more than half of Japan's 2013 broad balance of payments surplus).							
05-Jun-14	Short EURUSD	1.3620	1.3820	1.3200			0.13
The ECB has delivered a significant set of measure: the deposit rate is now negative, SMP sterilization is ending, and QE remains on the table.							
24-Apr-14	Short EURGBP	0.8140	0.8070	0.7800			2.55
Lower risk to short EUR positions given dovish shift by the ECB. EURGBP on verge of medium term negative technical break							
11-Feb-13	Long EURCHF	1.2305	1.1970	1.2500			-0.47
We re-entered EURCHF on a pullback based on several factors including CHF deposit flight and positive Eurozone news							
02-Jul-14	Short EURSEK	9.1650	9.3000	8.9000	9.3000	03-Jul-14	-1.47
02-Apr-14	Long USDCHF	0.8844	0.8900	0.9200	0.8955	24-Jun-14	1.30
21-May-14	Short EURNOK	8.1369	8.2750	7.7725	8.2750	19-Jun-14	-1.60
21-May-14	Short AUDCAD	1.0070	1.0215	0.9700	1.0215	06-Jun-14	-1.51
24-Apr-14	Short EURCAD	1.5265	1.4970	1.4500	1.4780	30-May-14	3.25
10-Apr-14	Long NOKSEK	1.1025	1.0854	1.1500	1.1048	21-May-14	0.24
14-Apr-14	Short NZDUSD	0.8660	0.8660	0.8400	0.8660	01-May-14	0.00
27-Mar-14	Long AUDNZD	1.0660	1.0735	1.1100	1.0735	01-May-14	0.70
19-Mar-14	Long GBPSEK	10.57	10.82	11.00	10.96	10-Apr-14	3.67
12-Feb-14	Long USDJPY	102.50	102.50	108.00	102.50	08-Apr-14	0.00
20-Feb-14	Long NOKSEK	1.0715	1.0550	1.1100	1.0550	21-Mar-14	-1.48

Total	3.15%

Portfolio Overview Options

Entry Date	Position	Entry Rate	Close Rate	Close Date	MTM (%)
22-Jan-14	Short NZDUSD trade via a 1y 1x2x1 0.82/0.80/.78 put fly	0.25%			0.13%
- The extremely steep NZD vol surface presents cheap and opportunistic ways to trade this view ahead of the RBNZ					
05-Sep-13	Long 1Y 1x2x1 EURGBP 0.80/0.78/0.76 put fly	0.18%			0.51%
- We view that this structure provides a very good risk-reward to position for a grind lower in EURGBP over the year ahead.					

BNP Paribas STEER™ Model – Recent Quant Trading Signals[2]

Entry Date	Position	Entry Rate	Stop Loss	Target Rate	Close Rate	Close Date	Return (%)
19-Jun-14	Short EURGBP	0.8008	0.8074	0.7939			0.86
20-Jun-14	USDMXN SHORT	13.0245			13.0210	24-Jun-14	0.03
11-Jun-14	USDJPY LONG	102.30			101.29	30-Jun-14	-0.99
25-Jun-14	EURSEK SHORT	9.1497			9.2044	27-Jun-14	-0.60
27-Jun-14	USDBRL LONG	2.1968			2.2138	30-Jun-14	0.77
06-Jun-14	AUDUSD SHORT	0.9332			0.9490	01-Jul-14	-1.69
02-Jul-14	USDBRL LONG	2.2019			2.2187	02-Jul-14	0.76

2 FX Quant trading signals published in the FX Quant Insight – Daily updates available via email

1 Positions highlighted in grey are currently open
Some older positions had to be taken off for due to lack of space but their P/L is included in the total.
The above recommendations do not reflect a fully invested, live portfolio and only G10 currencies will be featured.

Weekly FX Outlook: Jobs data signals USD rally

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- **The dichotomy of strong nonfarm payroll data and a weak GDP should be resolved in favour of stronger growth, supporting USD yields and the dollar. Stay long USDJPY.**
- **We remain short EURUSD and EURGBP after ECB on 3 July.**
- **Our short AUDCAD trade recommendation is off to a good start ahead of jobs data from Australia and Canada.**

Nonfarm payrolls signal stronger GDP growth; we stick with long USDJPY

The dichotomy of strong jobs data versus weaker headline growth was exacerbated by the June nonfarm payroll report. Persistent job creation makes the GDP rebound in Q2 and/or Q3 more likely and we believe this will be reflected in higher US Treasury yields and a stronger USD. The data calendar is light in the coming week, but the minutes from the June FOMC meeting could deliver a more balanced message concerning the dovish market interpretation of Chair Yellen's press conference. USDJPY longs are particularly attractive now to position for dollar bullishness amid rising Japanese investor outflows.

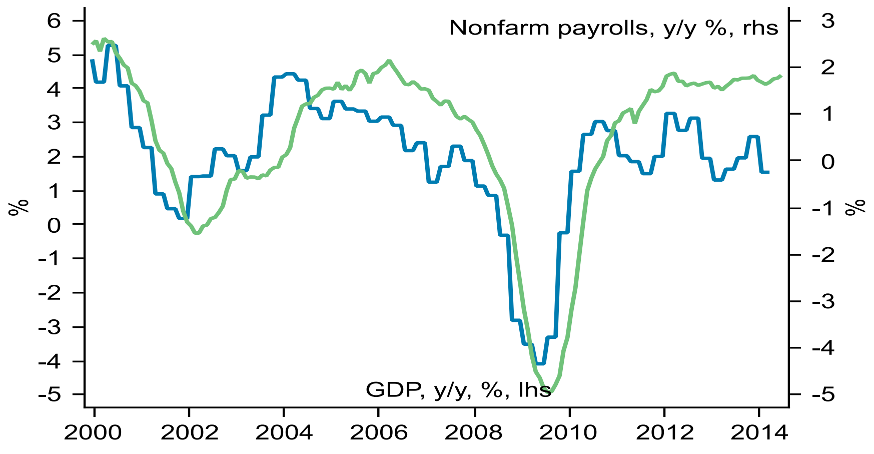
We remain bearish EUR after the ECB meeting; GBP still in the driving seat

The ECB held rates steady in July, but with the impact of the June easing action likely to lag, we believe the EUR remains an attractive selling proposition. Any further evidence of slower activity in incoming data will also weigh on the EUR and we remain short EURUSD and EURGBP in our recommendations portfolio. For the sterling, we expect next week's BoE meeting to be a non-event, but as long as manufacturing output data on Tuesday remains in line with expectations, the sterling should remain in the driving seat.

We initiate short AUDCAD ahead of employment data from Australia and Canada

Despite a less-dovish-than-expected message from the RBA this week, we see plenty of vulnerability for the AUD stemming from both weaker domestic growth fundamentals and a deterioration in the terms of trade. In contrast, the CAD continues to benefit from stronger export prices and increasingly less dovish expectations on the BoC. We recommended being short AUDCAD this week and will be watching June labour market data from Australia (Thursday 10 July) and Canada (Friday 11 July) for signs of divergence. This week we recommended a short AUDCAD trade with a 0.97 target.

Chart: Jobs data signalling a rebound in growth and the USD



Source: Macrobond, BNP Paribas

Commodity FX focus: Short AUDCAD

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- **AUD is likely to continue to benefit from resilient risk sentiment**
- **But Australia's domestic story is not AUD-supportive**
- **We go short AUDCAD at 1.0070 targeting 0.9700, stop at 1.0245**

AUD will struggle in commodity space

The AUD has benefitted from resilient risk sentiment and USD underperformance. However, scratch beneath the surface, and Australia's domestic story is not conducive to further AUD strength in our view. Although it is likely to continue to strengthen against funding currencies such as the EUR and the JPY, our view is that the AUD will struggle within the high yielding commodity space, particularly against the CAD which looks oversold relative to fundamentals. The Canadian economy has turned (particularly when it comes to labour market and inflation trends). We recommend selling AUDCAD with a target of 0.9700 and a stop-loss at 1.0245.

AUD: Down under?

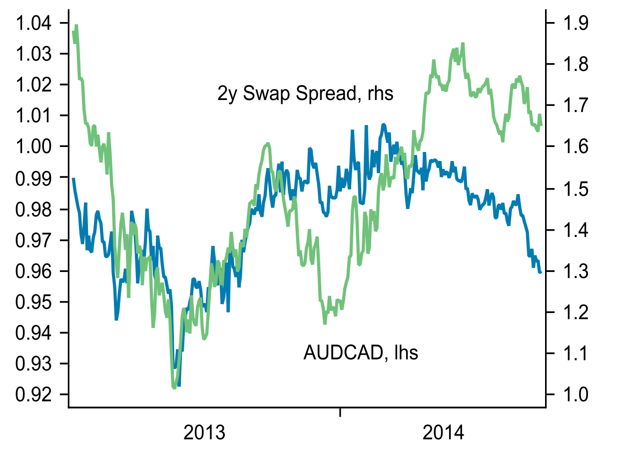
AUD looks lofty vs rate spreads

A firming in US yields will not augur well for the AUD as the US economy gains momentum in Q2. The AUD has been sensitive to periods of rising US yields in the past, likely a symptom of large foreign participation in Australia's bond market. A rise in US yields, as the end of QE3 nears and US data continues to improve, would leave the currency particularly vulnerable.

Australia's poor trade dynamics

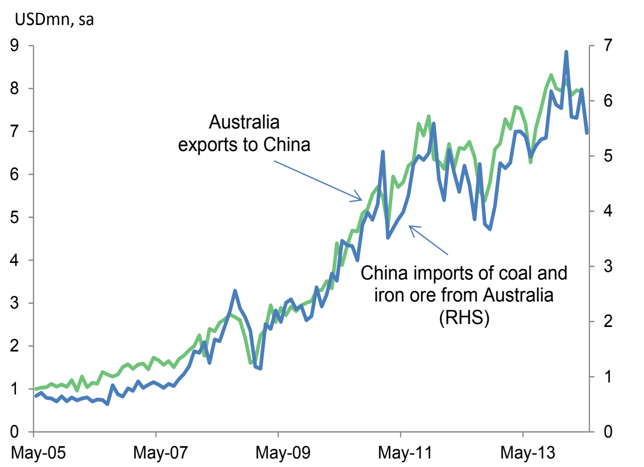
The strength in the AUD is also out of line with Australia's economic developments, and the weakness in May's external trade report highlights the impact of this strength. Exports were the weak spot in the report (-5% y/y) with the details reflecting weakness across a range of commodities. Our economist highlights that the USD500mn drop in exports to China does not augur well, particularly as it likely accounted for the lion's share of the decline in iron ore exports (Chart 2). The AUD's saving grace may very well be the current risk environment, but the continued decline in its terms of trade sends a warning signal for the currency. A cautious statement from the Reserve Bank of Australia has not deterred the AUD, which raises the spectre of more aggressive RBA warnings.

Chart 1: AUDCAD looks lofty relative to rate spreads



Source: Macrobond, BNP Paribas

Chart 2. Australian exports track China imports



Source: BNP Paribas

The BoC's stance to be CAD-supportive

The CAD to strengthen on BoC stance

BNP Paribas positioning analysis suggests CAD shorts have been unwound, although there is plenty of scope to build longs if fundamentals continue to improve. USDCAD fell 3.5% in Q2, but has been roughly flat since the start of the year, compared to a 5.8% gain in AUDUSD. CAD's year-to-date performance looks at odds with the domestic economic outlook and especially the uptick in inflation, which was boosted by the decline in the exchange rate over the past year (Chart 3). The Bank of Canadas upcoming policy meeting on 16 July, accompanied by the latest Monetary Policy Report, will be a focal point in updating the central bank's assessment of the balance of risks to the economy. There is a risk that Canadian policymakers will lessen their concern over low inflation which would be CAD-supportive.

CAD's underlying trade dynamics to improve

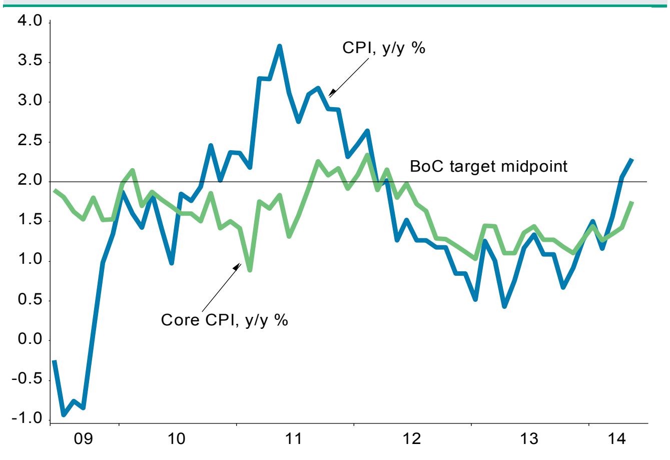
A further rationale for entering a short AUDCAD is the divergent terms of trade dynamics between the two economies. Unlike in Australia, the Canadian economy's export sectors are likely to see an improvement in outlook, particularly as the US economy shows signs of pick-up in the second quarter. Canada's terms of trade (ToT) continues to improve, even excluding elevated energy prices. Our view is that an improving outlook in Canada's domestic economy will support a shift to less dovish BoC expectations and boost CAD sentiment at a time when other G10 banks are loosening policy (such as in the eurozone and in Japan), or maintaining loose policy in the context of tighter fiscal policy (such as in Australia).

Top trade: Short AUDCAD targeting 0.9700

AUDCAD is our top pick within the commodity space

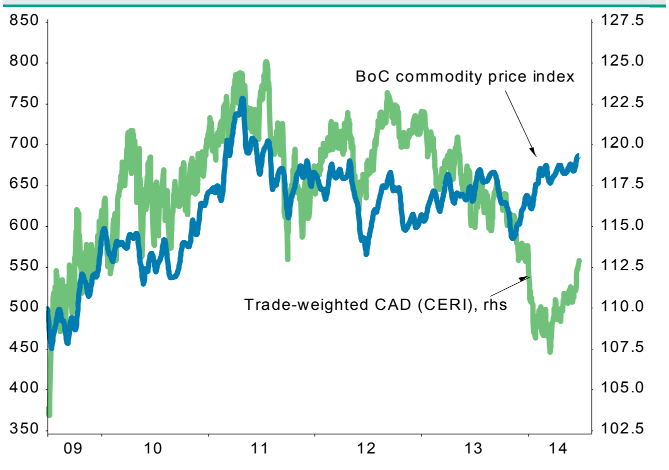
Policy divergence within G10 FX remains a dominant theme, though the overall positioning in the G10 is low (BNP Paribas positioning analysis points to a three year low), suggesting low levels of conviction. Nonetheless, macroeconomic fundamentals still matter. The deterioration in external trade data and terms of trade dynamics suggest downside risks for the AUD, especially if US yields rise. In contrast, the CAD benefits from an upturn in the terms-of-trade and an ongoing shift in BoC expectations in a less dovish direction. Furthermore, the Canadian economy and currency should benefit from any acceleration in US economic growth in Q2-Q3. On this basis, we recommend selling AUDCAD with a target of 0.9700, placing a stop-loss at 1.0245.

Chart 3: Canada's inflation pick-up



Source: Macrobond, Bloomberg, BNP Paribas

Chart 4: Commodity prices signal CAD upside



Source: Marcrobond, Bloomberg, BNP Paribas

Short AUDCAD Option Ideas

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All priced with a spot ref: 0.9965

3 Month Reverse Knock Out Put Strike 0.9965, KO 0.9500
Premium: AUD 0.68% (vs Vanilla: 1.43%)
Max Profit: 4.90%
Max Loss: Premium
Adding a Knock out barrier at 0.95 reduces the cost of the vanilla by 52%

3 Month Release Forward Strike 0.9851
Premium: Zero
Max Profit: Unlimited
Max Loss: Unlimited
If AUDCAD ever trades at or below the Strike, the obligation from the Forward is release, such that the client is left with a "free" AUD Put Option at Strike. Thus if AUDCAD trades back higher following the release, client has no obligation on the trade. If the release is not triggered, the trade behaves like an off-market forward

3 Month Knock-in Knock-out (KIKO) Strike 1.000, KO 0.9600, KI 1.0250
Premium: Zero
Max Profit: 4.15%
Max Loss: Unlimited
This strategy allows the client to benefit from AUDCAD moves lower, down to 0.96, below which the structure is knocked out. Additionally client has no obligation up to 1.0250. Above 1.0250 client is knocked in and obligated to transact at strike rate

3 Month Put Spread 1.000 to 0.9700 with Digital Premium
Premium: AUD 1.50% only paid if AUDCAD spot above 0.97 on Expiry
(Vanilla Put Spread: 1.20%)
Max Profit: 3.10%
Max Loss: Premium
To increase the potential return on the simple put spread the premium cost can be made contingent on spot at expiry. Should the short view on AUDCAD come to fruition no premium is paid but the put spread pay-out is still picked up

Balance of payments dominate in low-conviction markets

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- **Risk-taking in G10 FX appears to be at a three-year low. Seasonality suggests it will remain low over the summer.**
- **This allows other factors, such as basic balance of payments flows, to have more impact on FX markets.**
- **BoP trends suggest upward pressure on the CHF and SEK and depreciation pressures on the USD, CAD and NZD.**

In quiet markets balance of payments position has a greater impact on FX

Our BNP Paribas FX positioning analysis indicates that risk-taking by FX investors is currently at a three-year low. With positions and the volume of FX trading low, other flows (such as current account, portfolio and FDI flows) in the FX market can have a greater-than-usual impact on FX. Normally, a hypothetical strategy of long currencies with a positive broad balance of payments (BBoP, which includes the capital account, portfolio flows and foreign direct investment) and short currencies with a negative BBoP is generally not profitable, suggesting that these flows are not a dominant driver of FX moves. However, in the quiet summer months, when speculative positioning is likely to remain low, the current account, portfolio and FDI flows can have a greater impact on the market. Data behind our ***G10 Flow Monitor*** suggests that this is likely to be bullish for the CHF and SEK and bearish for the USD, CAD, and NZD.

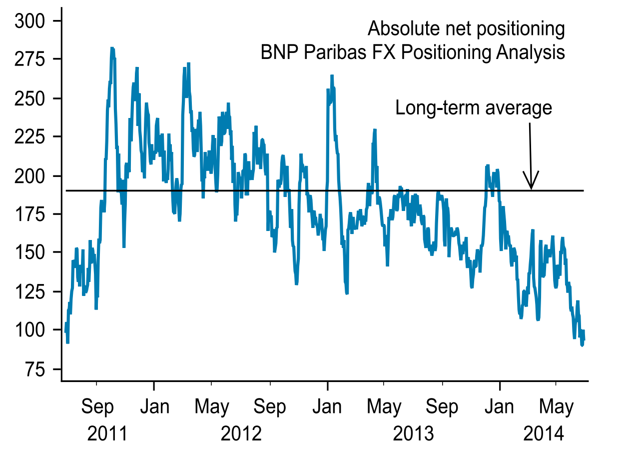
FX positioning appears to be at a three-year low

As we summarise on page 14, the core positions held by investors are long GBP and short the EUR, SEK and JPY. We use our positioning analysis to indicate when currency exposures are extreme and could be unwound, or when positioning is light and there is scope for investors to add new positions. Adding up the total absolute size of positioning provides us with a gauge of speculative investors' risk-taking in FX markets. Currently, overall positioning is at a three-year low (Chart 1), suggesting that only long GBP positions and, to a lesser extent, short EUR, SEK and JPY positions are vulnerable to a squeeze.

Positioning generally remains light in the summer months

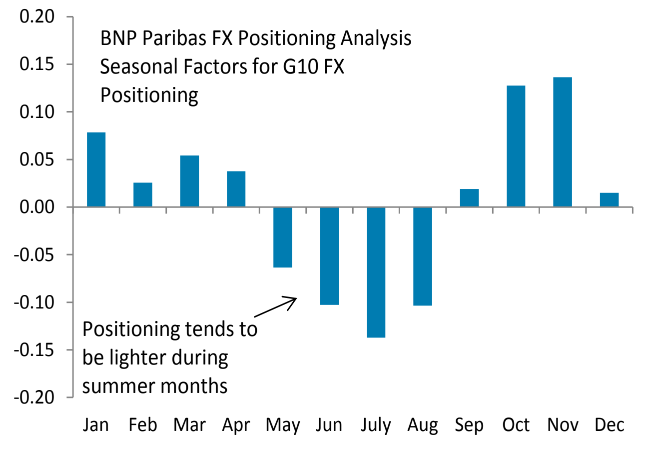
In one respect, light positioning could indicate that there is scope for investors to add new positions. However, seasonal analysis indicates that risk-taking by FX investors generally remains low in the summer months. Chart 2 show the 'seasonal factors' for the overall positioning size. Typically, speculative trading positions are

Chart 1: FX positioning is at a three-year low



Source: BNP Paribas

Chart 2: Seasonal factors for G10 positioning



Source: BNP Paribas

added in January to April and September to December. Positioning tends to be reduced in the summer months, in May through to August.

Light positioning can allow BoP flows to have a greater impact on the market

Hence, speculative FX investors may have less of an influence on FX moves in the summer months leaving other flows in the market with more of an impact on spot prices. To assess whether this is the case we have evaluated the impact of the trend of the broad balance of payments on currencies.

Trading BoP is generally not a profitable strategy …

We apply simple trading strategies to evaluate whether the BBoP has an impact on FX moves. A strategy of buying the three G10 currencies with the highest BBoP (four-quarter moving average) and selling currencies with lowest BBoP proves to be a mediocre strategy, providing a Sharpe ratio of only 0.13 since 2007. As other factors contribute to FX moves, such as speculative flows, relative rate moves, hedging and funding activities, this strategy is not successful.

… except when FX positioning is low

While we are not suggesting this as an active trading strategy, BBoP does, however, appear to have a greater impact on the FX market during periods of low speculative positioning by investors. For example, trading the BBoP when overall positioning is more than one standard deviation below its long-run average provides a strategy with a Sharpe ratio of 1.5.

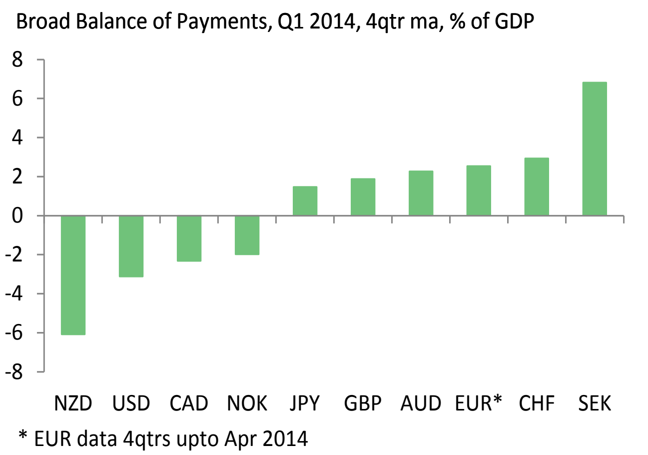
The BoP is currently supportive for the CHF and SEK, and negative for USD, CAD and NZD

The current BBoP trends are supportive for the EUR, CHF and SEK, although the eurozone's BBoP has declined substantially in recent months (Chart 4). Meanwhile, this metric is negative for the USD, CAD and NZD, which have current account deficits. Moreover, the NZD faces negative portfolio flows (Chart 3).

These BoP trends may have more impact on FX on quiet summer days

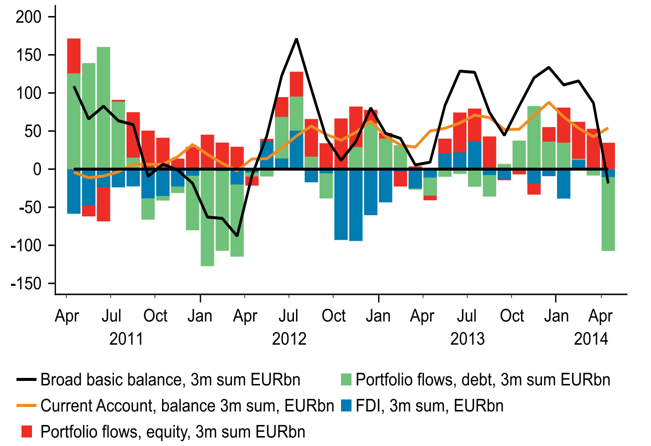
The signals from the BBoP do not necessarily correspond with our outlooks for the currencies (in Q3 we forecast the EUR, CHF, CAD, and NZD to weaken and the USD and SEK to strengthen). However, on quiet days over the summer months, underlying flows from the trends in the BBoP may have a greater-than-usual impact on currency moves.

Chart 3: Balance of payments trends in G10



Source: BNP Paribas

Chart 4: EUR BoP has collapsed in recent months



Source: Macrobond, BNP Paribas

KRW – What can the BoK do?

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- **The KRW is approaching psychologically important levels and the delta for policy reaction is growing in our view.**
- **We think the authorities are likely to use a soft, multi-pronged approach although, between capital control, a rate cut and fiscal stimulus, the latter is the most logical way to bring down the current account surplus.**
- **Stay received front-end and expect a more spirited defence of the 1000 level in USDKRW.**

The Korean won continues to appreciate and is approaching new psychologically important levels. JPYKRW has already broken below 10 and USDKRW is closing in on 1000 - a level not seen since 2008. On a Real Effective Exchange Rate (REER) basis, the won is now above its long-term average (Chart 1). The BoK has fought this tooth and nail although, admirably, it has relied on market-friendly measures:

- The authorities frequently talk of "herd behaviour" and "excessive moves". This rhetoric is backed by mainly passive FX intervention - last year the BoK's FX reserves increased by USD30bn (2.5%) of GDP and this year they are on course for another 2% increase in GDP.
- The BoK has allowed part of its USD50bn FX swap book to roll off, which has effectively depressed FX implied yields by about 20bp in 1y.
- BoK governor Lee has backed away from his stance that the next move would be a rate hike. In public he is visibly less confident about growth and the MPC minutes also reflect concerns that inflation will undershoot the BoK's target band.

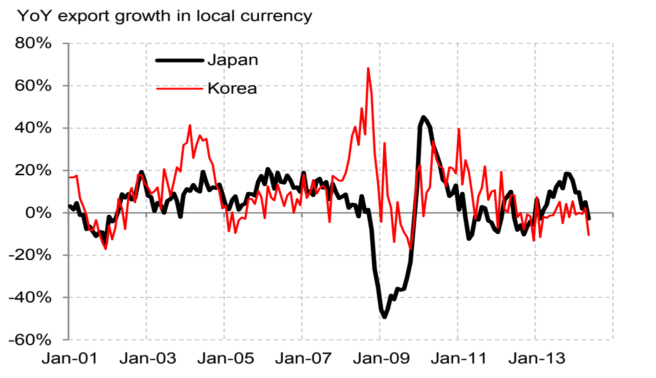
The question now is what the authorities might do out of frustration, especially since there are signs that the economy is experiencing strain. Specifically:

- Korean exporters have kept up export volume but at a cost to margins. For instance, while Korean companies have maintained market share in key export markets (auto, electronic), May exports are down 10% y/y and down 3% year to date in KRW terms. With Q2 export data from the US and China improving, the recent weakness in Korea's export and IP figures is unexpected. By contrast, Japanese exports (in JPY) are faring much better

Chart 1: KRW REER reaching new highs

Source: Bloomberg, BNP Paribas

Chart 2: Korean export growth weak in KRW terms



Source: Bloomberg, BNP Paribas

(Chart 2). The relatively improved performance of the Nikkei vs the KOSPI in recent months also reflects the margin squeeze on Korean corporates.

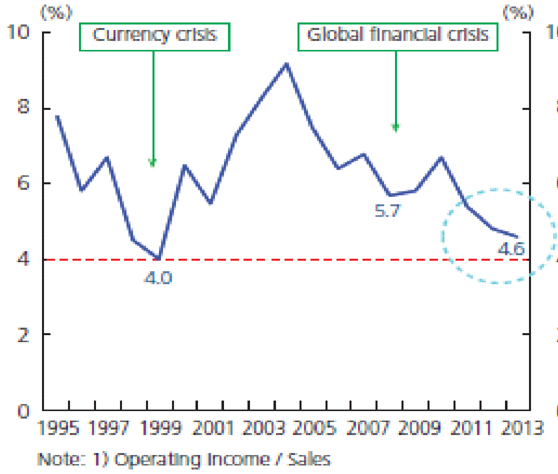
- Corporate sentiment is weak – our economists highlight that the BoK business confidence survey has slid to a level where historically the central bank has cut rates. In the BoK's financial stability report the operating income-to-sales ratio, which reflects corporate profitability, is close to levels last seen during the Asian Financial Crisis (Chart 3).
- Credit for SMEs is remarkably tight. Banks are very conservative in lending to this sector, especially on an unsecured basis. Corporate bond spreads for lower-rated corporates have been on a rising trend since 2012 (Chart 4). It seems the impact of last year's supplementary budget, which was targeted at SMEs, has had little impact in improving access to credit.

Of course none of this means the BoK has to come out with all guns blazing. It could simply smooth intervention in FX and keep rates stable. However, we think the delta on policy action is increasing and it would be wise to prepare for a stepped up policy response.

What can the bank do?

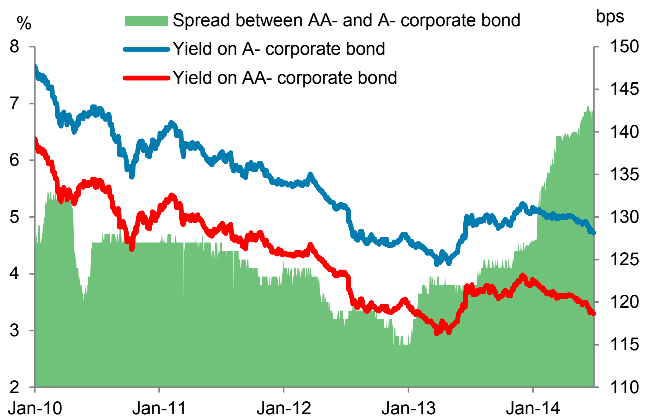
- **Implement 'macro-prudential' measures.** The authorities acknowledge that the reason for the strengthening KRW is the current account surplus and institutional inflows to the local debt market; our economists project a full year current account surplus of USD90bn (8.3% of GDP). While equity inflows could be dampened by falling corporate profitability, bonds are seeing increased participation from stable investors such as central banks and sovereign wealth funds. This trend is likely to continue, given the robust external payment fundamentals and the liquid nature of the Korean market. The likely options are buttons that the BoK has pushed several times already, such as lowering the leverage cap on FX derivative positions and imposing a higher levy on external debt[3]. Lowering the leverage cap is unlikely to have a large impact on the market, given that the foreign bank branches ratio had already fallen to around 90% on average in late 2013[4]. In an extreme scenario, the bank could raise the withholding tax on foreign bond inflows but

Chart 3: Korea corporate income to sales ratio



Source: *Bloomberg, Bank of Korea*

Chart 4: Corporate bond spreads continue to widen



Source: Bloomberg, BNP Paribas

[3] Leverage caps on FX derivatives were introduced in October 2010 at 250% for foreign bank branches and 50% for domestic banks. They were further tightened in July 2011 and January 2013 and stand currently at 150% and 30% for foreign and domestic banks respectively. The levy was first imposed on banks in August 2011 and there have been no changes since. The levy rate varies from 2bp to 20bp with a lower levy applied to longer-maturity liabilities.
[4] IMF Korea Country Report No. 14/126, May 2014

we think this is unlikely.

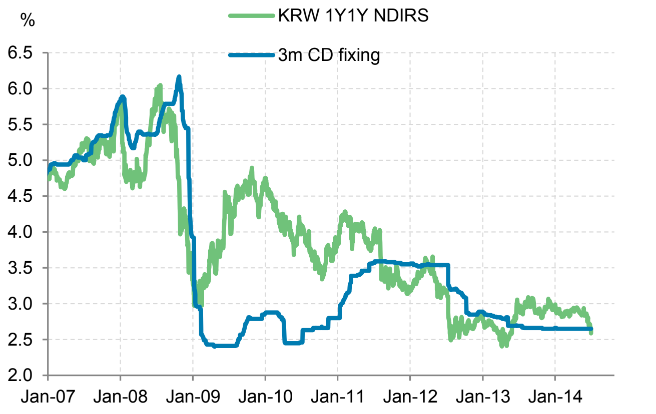
- **Cut rates.** While BoK governor Lee has indicated that the bank will not cut rates to counter KRW strength, this can only be taken at face value; he has already backed away from a rate hike call. And there is wiggle room – inflation is likely to edge up very slowly and remain below the BoK's target throughout 2015. The market has priced out rate hikes and is now pricing in a small chance of easing, which is logical. Of course a 25bp rate cut won't be enough to stop the currency from appreciating, but it would soften the blow for SMEs, who are experiencing the worst of the margin squeeze.

- **Go fiscal – another supplementary budget.** New finance minister Choi Kyung Hwan said recently he might consider 'an extra budget to boost the economy if needed'. In theory, increasing public sector dissavings to offset private sector savings is the ideal recipe for reducing the current account surplus. But in practice there are few infrastructure- or import-intensive projects that the Korean government could push off quickly. Last year's KRW17.3trn (1.2% of GDP) supplementary budget was mainly consumed by a tax cut on first time home buyers and support measures for the SME sector, but this has clearly had little impact on external accounts. Still, it can't hurt to try again. The government has a lot of capacity for fiscal stimulus – the public debt/GDP ratio is only around 34%.

Strategy: We recommended receiving 1y1y KRW NDIRS (see ***Asia Trade Flash – Receive 1Y1Y KRW NDIRS*** 30 April 14). The trade has exceeded our target of 2.65% but we see no reason to take it off. Korea rates are clearly a 'lower for longer' story with increasing delta for a rate cut, so we recommend staying received. The main risk to the received view is that the government decides to launch a large supplementary budget. Fiscal stimulus would reduce the probability of monetary stimulus and create a supply headwind for bonds, so an alternative would be to look at 2y5y steepeners though, until the government actually announces a package, we suggest staying received the front-end.

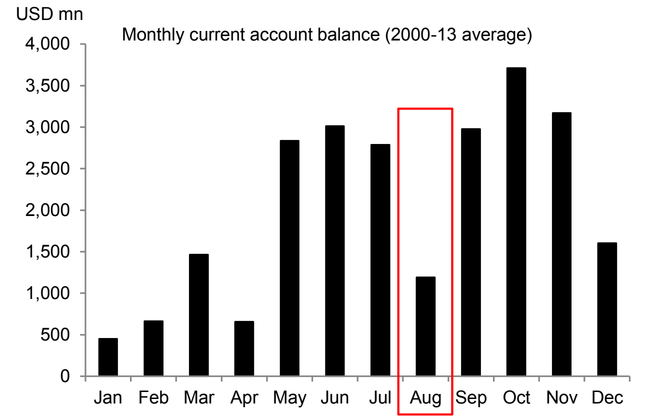
On USDKRW, we think the authorities will put up a more spirited defence of the 1000 level. We would still recommend being short the USD via options, but think the trend is likely to turn choppier around 1000. July tends to be a seasonally strong month for the KRW and August a poor month due to dividend repatriation-driven weakness in the current account (Chart 6). We reiterate our year-end forecast of 1000, and next year end forecast of 950.

Chart 5: Receive even at these levels…



Source: Bloomberg, BNP Paribas

Chart 6: Aug seasonal weakness in current account



Source: Bloomberg, BNP Paribas

FX Vol Focus:FX Vols – USDJPY Vols and the Great Moderation

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- **Front end vols trade at levels prevailing during the Great Moderation, but back end vols trade much higher.**
- **As a result, vol surface steepness is at 10 year highs.**
- **The 1y1y USDJPY captures the most attractive 1y horizon rolldown.**

Front end FX vols are as low as during the Great Moderation

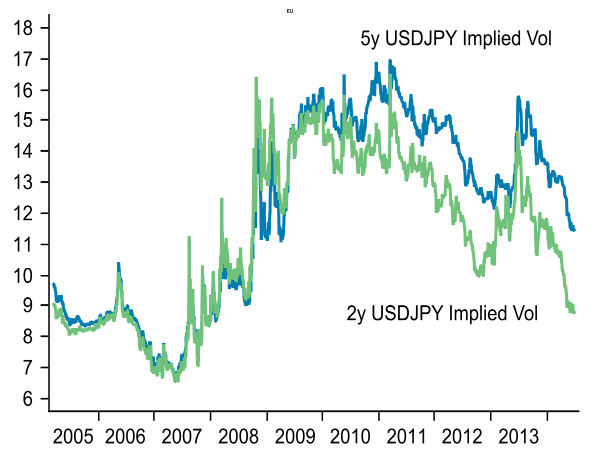
Despite the fact that longer dated USDJPY vols have come off, we are still far from levels observed during the period of Great Moderation (Chart 1).

Specifically 5y USDJPY vols are 4.9 vols higher than the 2005-2007 lows, 5y EURUSD vols are 2.5 vols higher than the 2005-2007 lows and 5y AUDUSD vols are 2.7 vols higher than the lows.

…although longer dated vols are meaningfully higher

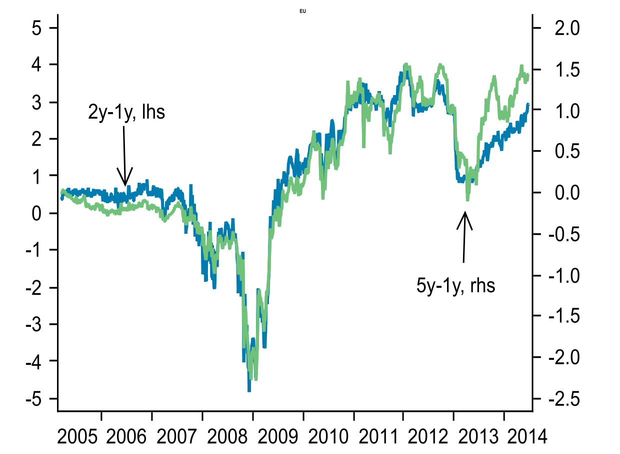
On the other hand, front end vols currently trade at levels similar to those prevailing during the 2005-2007 period. The combination of extremely low front

Chart 1: 2y and 5y USDJPY ATMF Implied Vol



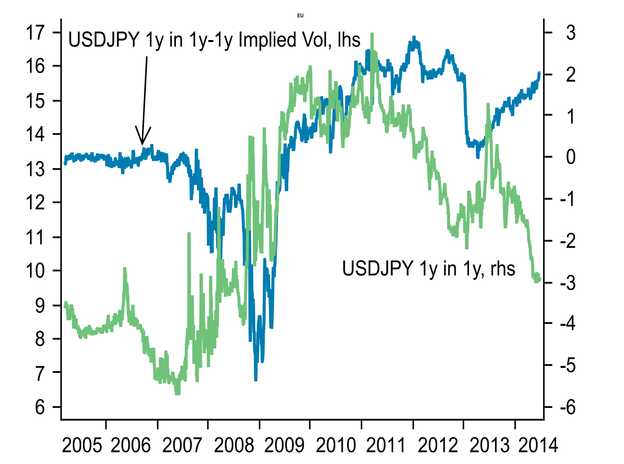
Source: Macrobond, Bloomberg, BNP Paribas

Chart 2: 5y-1y and 2y-1y USDJPY ATMF Implied Vol



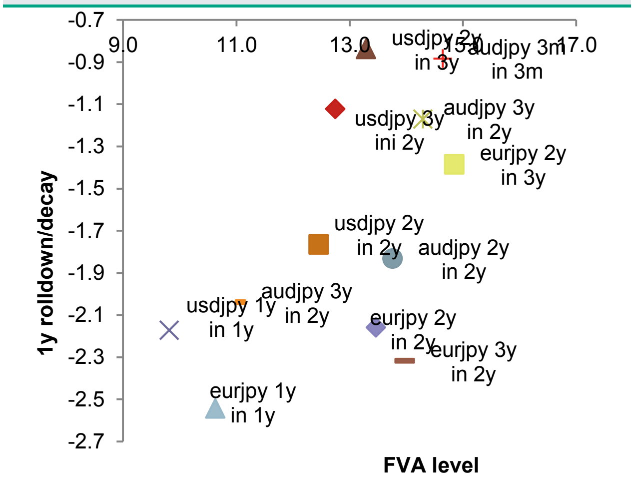
Source: Macrobond, Bloomberg, BNP Paribas

Chart 3: 1y1y USDJPY FVA vs (1y1y USDJPY FVA-1y USDJPY Vols)



Source: Macrobond, Bloomberg, BNP Paribas

Chart 4: - FVA levels vs 1y horizon rolldown return



Source: Macrobond, Bloomberg, BNP Paribas end vols and high (in comparison) back end vols, results in vol surfaces that are at the steepest levels of the last 10 years (chart 2).

Resulting in multi-year extreme levels of steepness

Being short front end vols is not attractive in our view. We like converting existing short USDJPY vol swap positions to short forward vol positions, as they capture multi-year highs in rolldown returns (chart 3).

In Chart 4 we summarize the levels and 1y horizon rolldown returns for a variety of tenors and currencies.

1y1y USDJPY and EURJPY vols capture the steepest roll down return

1y1y USDJPY and EURJPY FVAs capture the steepest rolldown over the next 12 months.

1. Sell 1y1y USDJPY Forward Vol @ 9.45%. The trade captures roughly 2 vols of static rolldown over 12 months, which is the fastest rolldown over the last 10 years (Vol Ref: 1y: 7.625, 2y: 8.725)

For a more detailed discussion please see FX Vol Focus, Jul 01 2014, “USDJPY Vols and the Great Moderation”.

BNP Paribas FX positioning analysis

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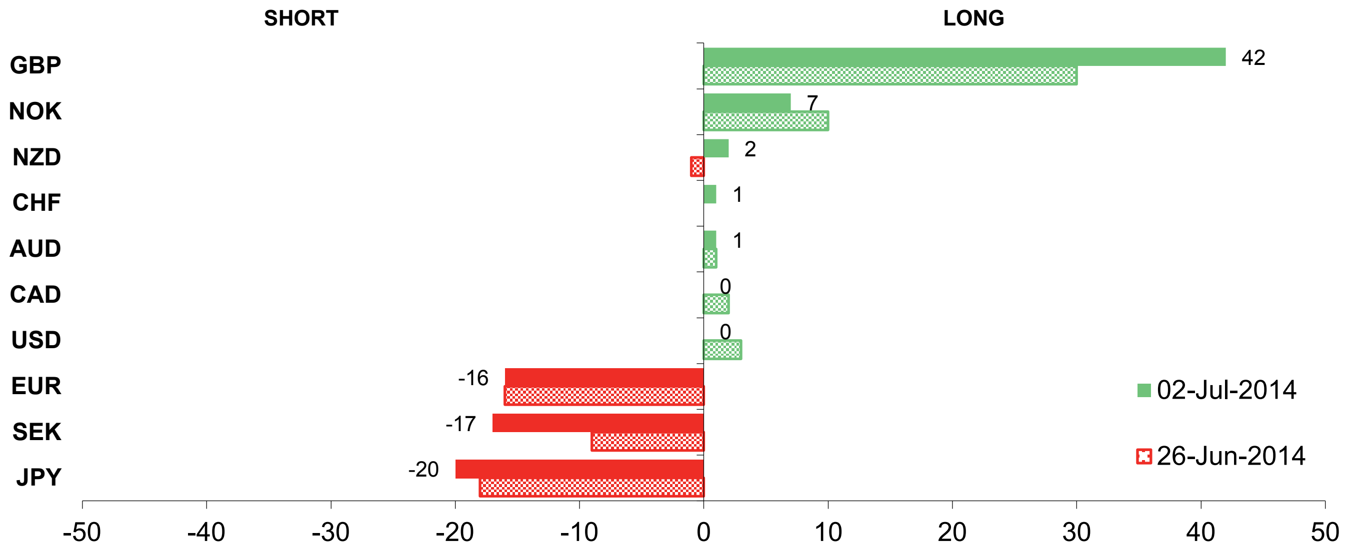
- **Overall net positioning by investors continues to decrease and is now at a three-year low.**
- **Our positioning analysis indicates that only one core theme persists in the market: long GBP.**
- **The EUR remains one of the largest shorts but there is scope for further selling.**

Chart 1: BNP Paribas FX positioning analysis – overall positioning*



Source BNP Paribas

*The positioning scores above are reported as a percentile based on the prior five years of data. These percentiles are rescaled to give a value between -50 and +50. Values above 40 and below -40 represent extreme positions.

To interpret a score of -27, for example, add 50 to give 23. This tells us that 23% of observations over the past five years have been below the current observation

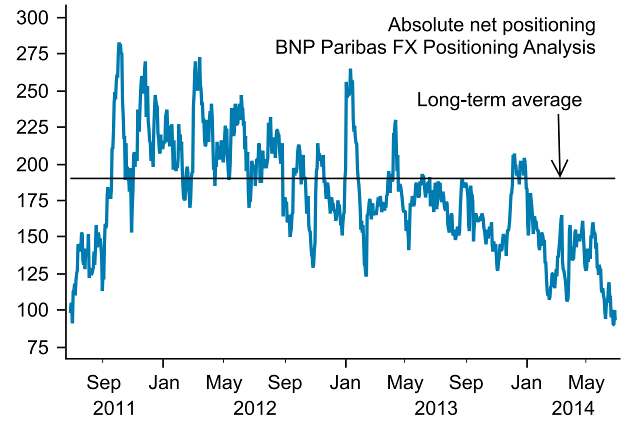
Client exposure	IMM	Risk reversals	FX Fund position tracker	BNPP trending indicator	
-6	12	-50	50	-5	USD
-18	-19	4	-49	1	EUR
-4	-28	-20	-49	1	JPY
49	49	23	44	44	GBP
-4	-19	-19	50	-2	CHF
1	-17	18	-32	28	CAD
6	-7	48	-50	8	AUD
18	-27	24	-38	32	NZD
24	-	7	44	-49	NOK
-23	-	18	-17	-45	SEK

- Client exposure – Internal sales desks' estimate of FX investor exposure
- IMM – The commitment of traders (COT) is a widely used proxy for US-based hedge-fund/CTA activity
- Risk reversals – Risk reversals indicate the relative price of calls relative to puts, and thus incorporate an option "market sentiment"
- FX Fund position tracker – Regression based decomposition of currency fund positioning
- BNPP trending indicator – A technical measure of the strength of a currency's momentum

The overall currency score is then calculated as the equally weighted sum of the components

BNP Paribas FX positioning analysis: Behind the numbers

Chart 2: Absolute net positioning

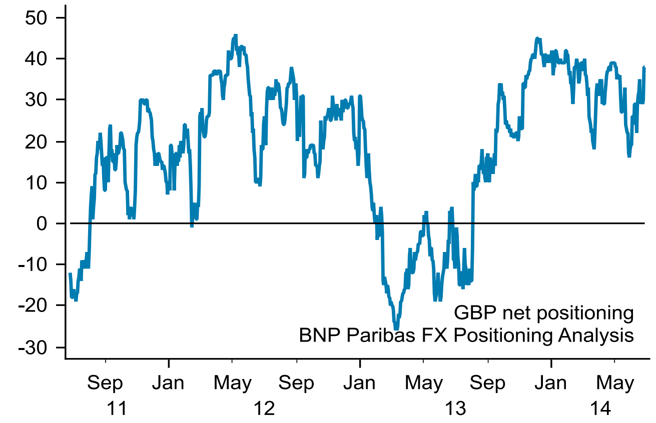


Source: BNP Paribas

Absolute level of positioning is very low

- BNP Paribas FX analysis suggests that the absolute level of G10 currency positioning has dropped to a very low level.
- Chart 2 shows a time series of the sum of the absolute values of our position measures across all of the G10 currencies.
- As the chart shows, G10 positioning has been running at a very low level for several months, compared to levels seen in the past few years.
- Overall positioning is now at a three-year low.

Chart 3: GBP net positioning

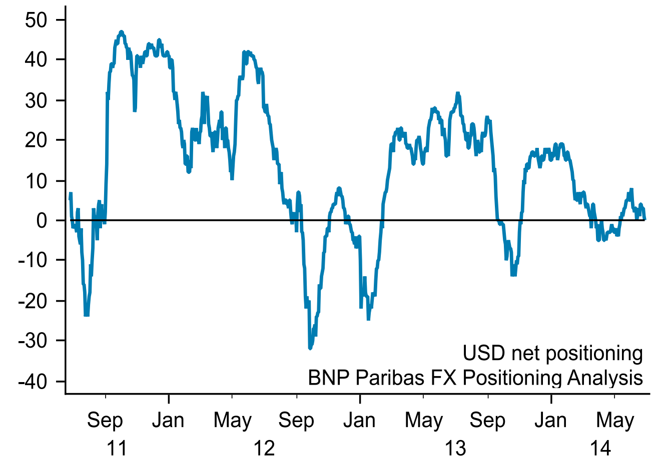


Source: BNP Paribas

Investor positioning increasingly long GBP

- Investors' bullish GBP positioning has increased again over the week after last week's reduction.
- Positioning remains on the verge of being in extreme long territory.
- Such a large long position normally indicates that positioning has become a liability for the currency, with the risk now skewed to the downside for the GBP.

Chart 4: USD net positioning



Source: BNP Paribas

Investors remain neutral overall on the USD

- Net positioning in the USD remains neutral. Our positioning analysis suggests that investors are generally running light positions in the USD.
- The client exposure, fund position tracker and BNPP trending-indicator components are all firmly in bullish territory.
- On the other hand, the reading for the option sentiment component remains at an extreme bearish level.

FX Snapshot

* End of year forecasts ,
** Bloomberg Median

G10		BNP Paribas Forecasts	2014	2015
USD	**Bullish.** As Q2 comes to a close, the USD continues to garner momentum, despite US front-end yields remaining low. A sustained upturn in both US data and US yields will be particularly supportive of the USD. With the consensus view still bullish the USD, we expect to see good interest to rebuild exposure if macro drivers cooperate. We expect EURUSD to drop to 1.35 by the end of Q2, and USDJPY too to end the quarter higher.	GDP*	2.3%	2.8%
		Current Acc.*	-2.1%	-2.0%
		Policy Rate *	0-0.25%	0.50%
		USD Index *	83.65	86.65
EUR	**Bearish.** The negative deposit rate should be enough to keep the EUR's downtrend intact especially as the ECB leaves the option of following up with large-scale asset purchases on the table. The ECB's ability to lift eurozone inflation expectations will be key, as real rates to be the key transmission mechanism from monetary policy to the currency, with the EUR increasingly assuming a funding currency role.	GDP*	1.2%	1.9%
		Current Acc.*	2.7%	2.8%
		Policy Rate *	0.15%	0.15%
		EURUSD *	1.30	1.26
CHF	**Bearish.** EURCHF continues to trade in a familiar range with a slight upward bias, having posted higher lows in April and May. The negative deposit rate could put renewed downward pressure on EURCHF, although we expect the Swiss National Bank to remain steadfast in defending the 1.20 floor. We thus expect EURCHF to grind up to 1.24 by the end of 2014, while USDCHF should climb to 0.95.	GDP*	2.0%	1.9%
		Current Acc.*	13.5%	13.7%
		Policy Rate *	0.25%	0.25%
		USDCHF *	0.95	0.99
GBP	**Bullish.** We continue to expect the GBP to be the biggest outperformer in the G10. Our economists now look for an earlier rate hike coming in Q4 2014. However, the rapid gains in the currency could slow in the first half of June, before resuming thereafter. Risks to our bullish GBP view are rising uncertainty around the Scottish referendum (September) and a sharper slowing in housing. We expect EURGBP should decline to 0.76 by year-end.	GDP*	3.4%	3.0%
		Current Acc.*	-4.4%	-4.1%
		Policy Rate *	0.75%	1.75%
		GBPUSD *	1.71	1.75
JPY	**Bearish.** Ongoing Bank of Japan (BoJ) quantitative easing has already moved real rate differentials against the yen, and the latest portfolio flow data suggest Japanese investors may finally be responding with increased demand for foreign bonds. We expect the JPY to underperform substantially in the second half of 2014, with USDJPY expected to reach 110 by year-end.	GDP*	1.2 %	0.8%
		Current Acc.*	-0.1%	-0.1%
		Policy Rate *	0.10%	0.10%
		USDJPY *	110	124
CAD	**Bullish.** After underperforming significantly in Q1, the CAD has recovered lost ground so far in Q2. Markets had built in an increasingly extended short CAD position from early 2013 through Q1 2014, anticipating that a weak economic outlook and disinflationary pressures would prompt the Bank of Canada (BoC) to ease policy, or substantially lag Fed tightening. We think USDCAD should move higher gradually as US rates recover, but the CAD should outperform the other commodity bloc and European currencies	GDP*	2.0%	2.2%
		Current Acc.*	-2.8%	-2.7%
		Policy Rate *	1.00%	1.00%
		USDCAD *	1.10	1.12
AUD	**Neutral.** The AUD is likely to lose its crown as the strongest currency in the commodity bloc to the CAD, even though it should still outperform the NZD. For the remainder of the 2014, the AUD is likely to struggle against the best performing G10 currencies: the USD and GBP. However, the AUD's positive yield advantage should support outperformance against the JPY, CHF, EUR and SEK.	GDP*	2.7%	2.6%
		Current Acc.*	-2.1%	-2.5%
		Policy Rate *	2.50%	2.50%
		AUDUSD *	0.92	0.90
NZD	**Neutral/bearish.** NZD has recovered strongly supported by an RBNZ still more concerned about unusually strong immigration pressures on housing rather than reasonably subdued inflation. At the same time, NZD's status as having the most attractive carry in G10 FX has added to NZD upside momentum in the current carry-on environment. However once volatility increases, we think NZD is the most vulnerable in the commodity bloc from a terms of trade perspective.	GDP **	3.3%	2.9%
		Current Acc.**	-3.6 %	-3.7%
		Policy Rate **	3.63%	na
		NZDUSD *	0.83	0.80
NOK	**Bullish.** NOK could lose some ground near term with an excessively dovish Norges Bank seeing a position reduction in till now consensus NOK long positioning. However, beyond we think NOK will converge to higher terms of trade with the Norges Bank potentially reversing its historical policy of recycling oil revenues abroad. Also NOK has the third best carry in G10 which will provide some insulation assuming volatility remains low. We still like EURNOK lower.	GDP*	1.3%	1.9%
		Current Acc.*	9.1%	10.4%
		Policy Rate *	1.50%	2.25%
		EURNOK *	7.80	7.50
SEK	**Neutral.** In recent weeks, the SEK has underperformed its G10 counterparts. The prospect of rate cuts by the Riksbank remains ever present. On this basis, we expect SEK underperformance to continue relative to the G10. The one exception is the EUR: We target EURSEK at 8.90 by year-end.	GDP*	2.3%	3.0%
		Current Acc.*	5.8%	5.7%
		Policy Rate *	0.25%	1.50%
		EURSEK *	8.90	8.70

Converging Europe, Russia, Africa and Israel		BNP Paribas Forecasts	2014	2015
PLN	**Bullish.** We have re-entered long PLNHUF, targeting 76.50 as the political turmoil in Poland now looks to have reached a climax with no real market implications. With positioning in the pair cleaner following the wave of stop losses triggered on the back of the news of the scandal, we expect the PLN to outperform once again on favourable fundamentals. We expect no change in rates at the upcoming MPC meeting.	GDP*	3.3%	3.3%
		Current Acc.*	-1.6%	-1.7%
		Policy Rate *	2.50%	3.50%
		EURPLN *	4.12	4.00
CZK	**Neutral**. The CNB has been pretty clear in their intention to maintain a floor on EURCZK at 27.00 and have been successful in doing so thus far. We expect this policy to be in place for at least the remainder of this year, and then expect the floor to be “phased out”, ie, gradually moved lower until a “fair” level is achieved. In the meantime, we would err on the side of being long EURCZK.	GDP*	2.7%	2.4%
		Current Acc.*	-1.1%	-0.7%
		Policy Rate *	0.05%	0.05%
		EURCZK *	27.00	25.00
HUF	**Bearish in the short-term.** We have re-entered a long position in PLNHUF. The NBH has cut rates by another 10bp, increasing the spread to the PLN further. Additionally, the imposition of other measures to loosen monetary conditions should keep the HUF underperforming, despite improving fundamentals and potential QE from the ECB. We are still positive on HGBs and long-end rates however.	GDP*	3.1%	2.5%
		Current Acc.*	3.3%	2.3%
		Policy Rate *	2.00%	3.50%
		EURHUF *	312	295
RON	**Bullish**. NBR Governor Isarescu’s comments that a stronger leu is not desirable sent EURRON temporarily higher. We think that there is potential for the pair to drift lower in the coming weeks, despite the NBR’s comments, following the ratings upgrade by S&P on 16 May, and given the fact that real rates in Romania remain in positive territory, supporting the RON further in the short term as fundamentals also remain relatively strong.	GDP*	3.1%	3.1%
		Current Acc.*	-1.2%	-0.9%
		Policy Rate *	3.50%	4.50%
		EURRON *	4.50	4.45
RUB	**Bearish in the medium term.** Despite the easing of tensions between Russia and Ukraine in recent weeks, we remain bearish on the RUB in the medium term. Russia’s growth outlook is weak and the 200bp rate hike earlier in the year is likely to impact this further. The current account surplus is likely to continue shrinking in the coming months and the CBR could consider cutting rates in the near future to help spur growth.	GDP*	-1.3%	1.4%
		Current Acc.*	3.5%	-0.2%
		Policy Rate *	7.50%	5.00%
		USDRUB *	37.00	37.15
TRY	**Bearish**. Political tensions are mounting once again and the events in Iraq could have implications on Turkey’s current account deficit if oil prices are impacted. Additionally, several senior directors of the CBRT were recently dismissed, suggesting that the pressure is mounting on the CBRT to cut policy rates further. Volatility-adjusted carry on the lira is falling sharply and we see little reason to be long at these levels. We still like 3m USDTRY 2.20/2.30 RKOs and also like to be short TRY against high beta peers such as BRL.	GDP*	2.2%	3.0%
		Current Acc.*	-5.5%	-5.9%
		Policy Rate *	9.50%	11.50%
		USDTRY *	2.15	2.22
ILS	**Neutral.** The ILS has been rather stable in basket terms, although it has been appreciating against the USD. The Israeli economy seems to be in a liquidity trap, whereby the demand for cash increases despite the record low rates. There is little inflation and the BoI could consider further easing measures that should prevent the ILS from appreciating further.	GDP**	3.4%	3.5%
		Current Acc.**	2.6%	1.9%
		Policy Rate *	1.50	Na
		USDILS *	3.50	3.60
ZAR	**Bearish.** We remain concerned that a potential terms-of-trade shock from China could worsen the outlook for the current account, causing another wave of weakness in the ZAR. Additionally, S&P’s ratings downgrade to both foreign and local currency debt as well as an announcement by NUMSA of strike action will serve to increase ZAR pressure. The SARB is likely to remain behind the curve in monetary tightening. We like short ZAR positions through USDZAR call spreads.	GDP*	2.1%	2.9%
		Current Acc.*	-5.4%	-5.2%
		Policy Rate *	6.25%	7.0%
		USDZAR *	10.95	11.50

*End of year forecasts
**OECD Economic Outlook forecasts

	LatAm	BNP Paribas Forecasts	2014	2015
BRL	**"Tactically Bullish"** – A high carry to risk (when compared to the rest of the EM world) together with the monetary authority targeting a virtual band of 2.20-2.25 (USDBRL spot) bodes well for the BRL, in our view. The decision by BCB to extend the FX auction program with no reduction in the size of auctions was supportive of the BRL. The only risk we see is a quick adjustment of the UST yield, triggering a systematic appreciation of the USD across the board.	**GDP***	1.0%	1.0%
		Current Acc.*	-3.3%	-2.5%
		Policy Rate *	11.50%	13.0%
		USDBRL *	2.45	2.55
CLP	**"Tactically Bullish"** - A meaningful part of the negative scenario is already embedded into prices. Also, our models suggest that the worst of the economic cycle is likely to take place in 2Q2014. Lastly, the over-crowded over-sold position in the NDF market, which exacerbates the CLP upward move in case of unexpected supportive news (eg CPI release).Under such scenario we stick to our short USDCLP.	**GDP***	3.0%	4.0%
		Current Acc.*	-4.0%	-4.5%
		Policy Rate *	3.75%	5.00%
		USDCLP *	555	545
MXN	**"Neutral"** - A stronger growth in both, Mexico and US, thru the remainder of 2014 is vital to the dynamics of the MXN looking forward. The currency remains resilient despite the surprise rate cut by Banxico. On the activity front, there are incipient signs of a rebound.	**GDP***	3.5%	4.2%
		Current Acc.*	-1.9%	-2.2%
		Policy Rate *	3.50%	4.50%
		USDMXN *	12.85	12.75
COP	**"Neutral"** - The Peso started the year on a soft note, underperforming most of its Latam peers. It benefited from the increased Colombia local bonds weighting in GBI-EM indices by the end of March and appreciated sharply subsequently. Moreover, the surprise rate hike by the end of April provided another boost to the currency. BanRep announced the extension of the FX purchases up to September, but the reaction on the COP was null. Although the COP should remain supported in the short-term, on a medium/long-term perspective, we see the COP underperforming.	**GDP***	4.7%	4.3%
		Current Acc.*	-3.7%	-3.6%
		Policy Rate *	4.25%	4.75%
		USDCOP *	1950	2000
PEN	**"Neutral**" - BCRP has intervened aggressively in the FX market with the USDPEN around the 2.80 handle. They sold USD around this level in the spot market and also sold CDRs (USD-linked bills) to reduce the pressure in the spot market, which should continue to limit the downside for the PEN relative to its peers. Total factor productivity growth and the maturing of several mining projects make up for the deterioration in the term of trade.	**GDP***	5.6%	5.8%
		Current Acc.*	-4.5%	-4.3%
		Policy Rate *	4.00%	4.5%
		USDPEN *	2.88	2.90
VEF	**"Bearish**" - The black market remains pressured and another FX devaluation will be needed. The government is doing that by a multiple exchange rate regime, recently unveiling the new system (SICAD II) in which individuals and corporates are allowed to buy USD under market conditions. However the supply of USD is not sufficient to meet the high demand.	**GDP***	-1.5%	0.5%
		Current Acc.*	2.4%	2.0%
		Policy Rate *	14.5%	14.5%
		USDVEF *	13.80	25.60
ARS	**"Bearish"** - Seasonally, USD inflows from agricultural exports will decrease significantly as we enter Q3 2014. And the bond markets are banned for Argentina after the US Court decision. Also, the country was downgraded from CCC+ to CCC- by Standard & Poor's this week. Ceteris paribus, an adjustment of the nominal FX rate is, if anything, unavoidable. We already had a more bearish than consensus view for the peso, which is the reason why we decided to keep the original forecast	**GDP***	0.0%	1.5%
		Current Acc.*	-0.9%	-1.0%
		Policy Rate *	35.0%	30.0%
		USDARS *	10.95	15.00

*End of year forecasts

Currency	Asia	BNP Paribas Forecasts	2014	2015
SGD	**Neutral**. Technically, USDSGD looks well supported by its medium-term bullish trend line support; we think the pair looks like a tactical buy here. With UST yields picking up, USDSGD looks likely to play catch-up. We look for USDSGD to be driven higher to 1.27 by year-end.	GDP*	5.0%	5.0%
		Current Acc*.	18.4%	18.0%
		Policy Rate *	-	-
		USDSGD *	1.28	1.40
MYR	**Neutral**. We are tactically long MYR vs TWD. MYR however looks quite stretched against the USD – pair approaching its key 3.200 support. Fundamentally we remain bearish on MYR and expect pressure from domestic capital flight in the medium term	GDP*	5.0%	5.0%
		Current Acc*.	2.0%	1.0%
		Policy Rate *	3.0%	3.3%
		USDMYR *	3.40	3.50
IDR	**Neutral**. Indonesia election on 9 July is a close race and latest leading surveys indicate a narrowing lead margin of Jokowi over Prabowo USDIDR spot traded bid with BI capping topside at 12,000 weigh by weak global risk sentiment. However, the absence of NDF risk premia suggests that the currency is trading weak on corporate flows, rather than hedging by offshore investors.	GDP*	5.2%	5.6%
		Current Acc.*	-2.4%	-2.0%
		Policy Rate *	8.25%	7.25%
		USDIDR *	12,000	12,800
THB	**Neutral**. While political deadlock persist, there are signs that the opposition may accept the legitimacy of a future election, which is a positive development. Street protests have also ebbed. Meanwhile the current account surplus has improved sharply to the equivalent of 8% of GDP (annualized). This will continue to underpin the Thai baht, which think can extend its gains on any sign of further normalization in the political situation.	GDP*	2.5%	4.5%
		Current Acc.*	2.0%	2.0%
		Policy Rate *	2.0%	2.30%
		USDTHB *	33.00	33.50
PHP	**Bullish**. USDPHP finds good resistance at 44.15, its 200-day MA. Near-term, we expect global risk sentiment to drive the pair. But we favour peso gains in the medium term given its large current account surpluses.	GDP*	6.0%	6.0%
		Current Acc.*	2.0%	1.0%
		Policy Rate *	3.5%	4.0%
		USDPHP *	44.80	46.00
HKD	**Neutral**. Range trading will continues to dominate in spot and TT.	GDP*	2.5%	2.4%
		Current Acc.	2.7%	3.7%
		Policy Rate *	0.5%	0.75%
		USDHKD *	7.80	7.80
CNY	**Neutral**. We hold a more cautious stance on USDCNH now. Although we stay with our short 3m USDCNH, targeting 6.2 but we will not add new short at current levels. PBOC wants two-way risks in the markets and not a trend of appreciation in RMB. With USDCNH now only 0.7% away from the top band, the risk reward is more neutral now. However, the improved carry profile makes it unattractive to go long USD.	GDP	7.3%	6.8%
		Current Acc.*	2.0%	1.6%
		Policy Rate *	3.0%	3.0%
		USDCNY *	6.20	6.15
TWD	**Neutral.** USDTWD is balanced between a strong current account surplus, foreign equity inflows on one hand, and domestic capital outflows and CBC intervention on the other. We see the 30.7-29.80 range holding for the year.	GDP*	3.0%	3.6%
		Current Acc.*	11.1%	9.2%
		Policy Rate *	1.875%	1.875%
		USDTWD *	29.80	29.50
KRW	**Bullish**. USDKRW broke below the key 1020 support level; opening further downside. However, the grind lower will be gradual given BOK's smoothing. We expect the won to strengthen, backed by a sizeable current account surplus (around 6% of GDP), and strong portfolio inflows.	GDP*	3.8%	3.4%
		Current Acc.*	7.0%	5.9%
		Policy Rate *	2.50%	2.50%
		USDKRW *	1,000	950
INR	**Bearish**. The rising oil prices on geo-political tensions in Iraq have put pressure on INR. Although our base case remains for a market friendly budget in July, but we think INR is likely to trade weaker in the near-term given risk of oil prices.	GDP*	4.6%	5.3%
		Current Acc.*	-1.9%	-2.7%
		Policy Rate *	8.25%	8.25%
		USDINR *	64.00	65.50

*End of year forecasts

Source: BNP Paribas

Economic calendar: 4 – 11 July

HIGH-INCOME ECONOMIES							
	GMT	Local			Previous	Forecast	Consensus
Fri 04/07			US	Public holiday			
			Netherlands	Moody's ratings review			
			Belgium	Moody's ratings review			
			Sweden	Fitch ratings review			
	07:30	09:30		Industrial production (sa) m/m: May	3.0%		0.1%
	07:30	09:30		Industrial production (nsa) y/y: May	0.6%		3.0%
	08:00	10:00	Germany	Factory orders m/m: May	3.1%	-1.8%	-1.0%
Sun 06/07	08:15	10:15	Eurozone	ECB's Coeuré participates in a panel in Aix-en-Provence, France			
Mon 07/07	06:00	08:00	Germany	Industrial production m/m: May	0.2%	0.2%	0.2%
	07:00	09:00	Spain	Industrial production y/y: May	4.3%	2.5%	-
	08:00	10:00	Eurozone	ECB's Nowotny presents Austrian financial stability report			
	14:00	10:00	Canada	Ivey PMI: Jun	48.2	51.0	-
Tue 08/07	23:50 (07/07)	08:50	Japan	Current account (nsa): May	JPY 187.4bn	JPY -278.8bn	JPY 447.5bn
	06:00	08:00	Germany	Trade balance (sa): May	EUR 17.6bn	EUR 17.3bn	-
	06:45	08:45	France	Budget balance (cumulative, nsa): May	EUR -64.2bn	EUR -74bn	-
	07:00	09:00	Eurozone	ECB's Linde speaks in Madrid			
	07:15	09:15	Switzerland	CPI m/m: Jun	0.3%	0.4%	-
	07:15	09:15		CPI y/y: Jun	0.2%	0.3%	-
	08:30	09:30	UK	Industrial production m/m: May	0.4%	0.3%	0.2%
	08:30	09:30		Industrial production y/y: May	3.0%	3.2%	3.1%
	08:30	09:30		Manufacturing production m/m: May	0.4%	0.4%	0.4%
	08:30	09:30		Manufacturing production y/y: May	4.4%	5.6%	5.6%
	11:30	07:30	US	NFIB small business optimism: Jun	96.6	96.0	-
	17:00	13:00		Richmond Fed's Lacker speaks on economy in Charlotte, NC			
	17:45	12:45		Minneapolis Fed's Kocherlakota speaks on monetary policy in Minneapolis, MN			
Wed 09/07	12:15	08:15	Canada	Housing starts: Jun	198.3k	185.0k	-
	18:00	14:00	US	***FOMC minutes***			
Thu 10/07	23:01 (09/07)	00:01	UK	RICS house price balance: Jun	57%		55%
	08:30	09:30		Visible trade balance: May	GBP -8.92bn	GBP -8.50bn	GBP -9.00bn
	11:00	12:00		***BoE rate announcement***			
	23:50	08:50	Japan	CGPI y/y: Jun	4.4%	1.6%	4.6%
	23:50 (09/07)	08:50		Core machinery orders m/m: May	-9.1%	1.0%	1.0%
			Eurozone	ECB's Nowotny speaks at OMFIF in London			
	08:00	10:00		***ECB monthly bulletin***			
	01:30	11:30	Australia	Employment change m/m: Jun	-4.8k	20k	-
	01:30	11:30		Unemployment rate: Jun	5.8%	5.8%	-
	06:45	08:45	France	CPI m/m: Jun	0.0%	0.1%	-
	06:45	08:45		CPI y/y: Jun	0.7%	0.6%	-
	06:45	08:45		HICP m/m: Jun	0.0%	0.1%	-
	06:45	08:45		HICP y/y: Jun	0.8%	0.7%	-
	06:45	08:45		Ex-tobacco CPI (nsa): Jun	126.27	126.38	-
	06:45	08:45		Industrial production m/m: May	0.3%	0.4%	-
	06:45	08:45		Manufacturing production (sa) m/m: May	0.3%	0.0%	-
	07:30	09:30	Netherlands	HICP m/m: Jun	-0.5%	-0.1%	-
	07:30	09:30		HICP y/y: Jun	0.1%	0.6%	-
	07:30	09:30		Industrial production m/m: May	2.3%	0.9%	-
	07:30	09:30		Industrial production y/y: May	2.1%	2.9%	-

Economic calendar: 4 – 11 July (cont)

HIGH-INCOME ECONOMIES

	GMT	Local			Previous	Forecast	Consensus
Thu 10/07 (cont)	07:30	09:30	**Sweden**	CPI (nsa) m/m: Jun	0.1%	0.1%	-
	07:30	09:30		CPI (nsa) y/y: Jun	-0.2%	0.1%	-
	07:30	09:30		CPIF y/y: Jun	0.4%	0.5%	-
	08:00	10:00	**Italy**	Industrial production m/m: May	0.7%	0.2%	-
	08:00	10:00		Industrial production (wda) y/y: May	1.6%	1.2%	-
	08:00	10:00	**Norway**	CPI (nsa) m/m: Jun	0.1%	-0.1%	-
	08:00	10:00		CPI (nsa) y/y: Jun	1.8%	2.1%	-
	08:00	10:00		CPI-ATE (nsa) y/y: Jun	2.3%	2.3%	-
	10:00	11:00	**Portugal**	HICP m/m: Jun	0.1%	0.0%	-
	10:00	11:00		HICP y/y: Jun	-0.3%	-0.4%	-
	12:30	08:30	**US**	Initial claims	315k	315k	-
	17:15	12:15		Kansas City Fed's George speaks on US economy in Shawnee, OK			
Fri 11/07			**Belgium**	Public holiday			
			Germany	S&P ratings review			
	06:00	08:00		CPI (final) m/m: Jun	0.3% (p)	0.3%	0.3%
	06:00	08:00		CPI (final) y/y: Jun	1.0% (p)	1.0%	0.1%
	06:00	08:00		HICP (final) m/m: Jun	0.4% (p)	0.4%	-
	06:00	08:00		HICP (final) y/y: Jun	1.0% (p)	1.0%	-
			Netherlands	Fitch ratings review			
			Switzerland	Moody's ratings review			
	06:45	08:45	**France**	Current account (sa): May	EUR -1.6bn	EUR -1.5bn	-
	07:00	09:00	**Spain**	CPI (final) m/m: Jun	0.0% (p)	0.0%	-
	07:00	09:00		CPI (final) y/y: Jun	0.1% (p)	0.1%	-
	07:00	09:00		HICP (final) y/y: Jun	0.0% (p)	0.0%	-
	12:30	08:30	**Canada**	Unemployment rate: Jun	7.0%	7.0%	-
	12:30	08:30		Net change in employment: Jun	25.8k	10.0k	-
	18:00	14:00	**US**	Treasury statement: Jun	USD -130.0bn		USD 100.0bn
	18:45	12:45		Atlanta Fed's Lockhart, Chicago Fed's Evans speak on US economy in Jackson Hole, WY			
During Week	1-8/7		**UK**	Halifax house prices y/y: Jun	8.7%		8.9%

Release dates and forecasts as at c.o.b. prior to the date of publication; see Daily Macro Monitor for any revisions
Source: BNP Paribas, Reuters, Bloomberg, national statistics, central banks, ratings agencies

For our four-week calendar, please click here

Economic calendar: 4 – 11 July (cont)

ASIA

	GMT	Local			Previous	Forecast	Consensus
Fri 04/07	01:00	09:00	**Philippines**	CPI y/y: Jun	4.5%	4.6%	4.6%
	04:01	12:01	**Malaysia**	Trade balance: May	MYR 8.9bn	MYR 7.5bn	MYR 7.9bn
Mon 07/07	08:00	16:00	**Taiwan**	Trade balance: Jun	USD 5.3bn	USD 2.7bn	USD 3.7bn
	12:30	08:30		CPI y/y: Jun	1.6%	1.6%	1.6%
Wed 09/07	01:30	09:30	**China**	CPI y/y: Jun	2.5%	2.4%	2.4%
	01:30	09:30		PPI y/y: Jun	-1.4%	-0.9%	-1.0%
Thu 10/07			**China**	Trade balance: Jun	USD 36.0bn	USD 36.9bn	USD 34.8bn
				Exports y/y: Jun	7.0%	9.0%	10.2%
				Imports y/y: Jun	-1.6%	4.0%	6.5%
			Indonesia	***BI rate announcement***			
	01:00	10:00	**S. Korea**	***BoK rate announcement***			
	04:01	12:01	**Malaysia**	Industrial production y/y: May	4.2%	4.0%	-
	10:00	18:00		***BNM rate announcement***			
Fri 11/07	12:00	17:30	**India**	Industrial production y/y: May	3.4%	3.2%	-
During Week	10-14/07		**Singapore**	GDP (adv. estimate) y/y: Q2	4.9%	2.3%	-
	10-15/07		**China**	New loans: Jun	RMB 870.8bn	RMB 980bn	RMB 980bn
	10-15/07			Total social financing: Jun	RMB 1404.5bn	RMB 1500bn	RMB 1400bn
	10-15/07			M2 y/y: Jun	13.4%	13.5%	13.5%
	10-15/07		**India**	Trade balance: Jun	USD -11.2bn	USD -13.4bn	-

Release dates and forecasts as at c.o.b. prior to the date of publication
Source: BNP Paribas, Reuters, Bloomberg, national statistics, central banks, ratings agencies

CEEMEA

	GMT	Local			Previous	Forecast	Consensus
Fri 04/07			**Russia**	CPI y/y: Jun	7.6%	7.8%	7.7%
			Hungary	Moody's ratings review			
	07:00	09:00		Industrial production (prel) y/y: May	10.1%	10.7%	11.1%
	07:00	09:00	**Czech Rep.**	Retail sales y/y: May	6.0%	2.6%	3.1%
Mon 07/07	06:00	08:00	**South Africa**	Net reserves: Jun	USD 44.5bn	USD 44.8bn	-
	07:00	09:00	**Czech Rep.**	Industrial output y/y: May	7.7%	4.3%	5.5%
Tue 08/07	07:00	09:00	**Czech Rep.**	Unemployment rate: Jun	7.5%	7.3%	7.4%
Wed 09/07	07:00	09:00	**Hungary**	Trade balance (prel): May	EUR 625mn	EUR 502mn	-
	07:00	09:00	**Czech Rep.**	CPI y/y: Jun	0.4%	0.3%	0.1%
Thu 10/07	09:30	11:30	**South Africa**	Mining production y/y: May	0.2%	-	-
	11:00	13:00		Manufacturing production y/y: May	-1.5%	-2.4%	-
Fri 11/07			**Russia**	Trade balance: May	USD 19.8bn	USD 18.7bn	USD 18.6bn
			Ukraine	Standard & Poor's ratings review			
	07:00	09:00	**Hungary**	CPI y/y: Jun	-0.1%	-0.1%	-0.1%
	07:00	10:00	**Turkey**	Current account: May	USD -4.8bn	USD 4.0bn	-

Release dates and forecasts as at c.o.b. prior to the date of publication; (p) = preliminary; (r) = revised
Source: BNP Paribas, national statistics, ratings agencies, central banks, Bloomberg, Reuters

For our four-week calendar, please click here

Economic calendar: 4 – 11 July (cont)

LATIN AMERICA

	GMT	Local			Previous	Forecast	Consensus
Fri 04/07			**Colombia**	***Colombia monetary policy minutes***			
Sat 05/07			**Colombia**	CPI m/m: Jun	0.48%	0.25%	0.30%
				CPI y/y: Jun	2.93%	2.95%	2.99%
Mon 07/07	12:30	08:30	**Chile**	Economic activity m/m: May	0.0%	0.8%	-
	12:30	08:30		Economic activity y/y: May	2.3%	3.0%	2.9%
Tue 08/07	12:00	09:00	**Brazil**	IBGE inflation IPCA m/m: Jun	0.46%	0.39%	-
	12:00	09:00		IBGE inflation IPCA y/y: Jun	6.37%	6.51%	-
	12:00	08:00	**Chile**	CPI m/m: Jun	0.3%	0.2%	0.2%
	12:00	08:00		CPI y/y: Jun	4.7%	4.5%	-
	12:00	08:00		CPI core m/m: Jun	0.3%	-	-
Wed 09/07	11:00	06:00	**Mexico**	CPI m/m: Jun	-0.32%	-	-
	11:00	06:00		CPI y/y: Jun	3.51%	-	-
	11:00	06:00		CPI core m/m: Jun	0.09%	-	-
	11:00	06:00		Bi-weekly CPI	0.08%	-	-
	11:00	06:00		Bi-weekly CPI y/y	3.71%	-	-
	11:00	06:00		Bi-weekly core CPI	0.12%	-	-
Thu 10/07			**Mexico**	Gross fixed investment y/y: Apr	1.7%	-2.9%	-
	21:00	19:00	**Peru**	***Reference rate***	4.00%	4.00%	-
Fri 11/07	11:00	06:00	**Mexico**	Industrial production y/y: May	-0.6%	2.7%	-
	12:00	07:00		***Overnight rate***	3.00%	3.00%	-

Release dates and forecasts as at c.o.b. prior to the date of publication: See Daily Latam Spotlight for any revision
Source: BNP Paribas, Reuters, Bloomberg, national statistics, central banks, ratings agencies

For our four-week calendar, please click here

FX Forecasts*

USD Bloc	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
EURUSD	1.36	1.32	1.30	1.28	1.27	1.26	1.26
USDJPY	102.20	109	110	112	115	120	124
USDCHF	0.89	0.94	0.95	0.98	0.98	0.99	0.99
GBPUSD	1.71	1.69	1.71	1.71	1.72	1.73	1.75
USDCAD	1.07	1.10	1.10	1.10	1.10	1.11	1.12
AUDUSD	0.94	0.92	0.92	0.93	0.93	0.92	0.90
NZDUSD	0.88	0.83	0.83	0.82	0.82	0.81	0.80
USDSEK	6.82	6.78	6.85	6.95	6.93	6.83	6.90
USDNOK	6.19	5.91	6.00	6.02	6.06	6.03	5.95

EUR Bloc	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
EURJPY	139.10	144	143	143	146	151	156
EURGBP	0.79	0.78	0.76	0.75	0.74	0.73	0.72
EURCHF	1.22	1.24	1.24	1.25	1.25	1.25	1.25
EURSEK	9.28	8.95	8.90	8.90	8.80	8.60	8.70
EURNOK	8.43	7.80	7.80	7.70	7.70	7.60	7.50
EURDKK	7.46	7.46	7.46	7.46	7.46	7.46	7.46

CEEMEA	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
USDPLN	3.04	3.08	3.17	3.24	3.15	3.13	3.17
EURCZK	27.40	27.0	27.0	26.5	26.0	25.5	25.0
EURHUF	310.20	302	312	305	295	295	295
USDZAR	10.80	10.00	10.95	10.50	11.00	11.20	11.50
USDTRY	2.13	2.11	2.15	2.17	2.20	2.22	2.22
EURRON	4.39	4.37	4.50	4.50	4.45	4.40	4.45
USDRUB	34.30	35.84	37.00	37.30	37.00	38.94	37.15
EURPLN	4.10	4.07	4.12	4.15	4.00	3.95	4.00
USDILS	3.40	3.48	3.50	3.50	3.65	3.60	3.60
USDUAH	11.80	9.8	10.0	9.0	9.0	9.0	9.0
EURRSD	116.10	118	122	112	115	115	115

Asia Bloc	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
USDSGD	1.20	1.26	1.27	1.28	1.30	1.30	1.32
USDMYR	3.20	3.35	3.40	3.40	3.42	3.45	3.50
USDIDR	11918	12000	12000	12000	12250	12500	12800
USDTHB	32.40	32.40	32.80	33.00	33.00	33.30	33.50
USDPHP	43.60	44.00	44.40	45.00	45.00	45.00	45.00
USDHKD	7.80	7.80	7.80	7.80	7.80	7.80	7.80
USDRMB	6.20	6.25	6.20	6.17	6.25	6.21	6.15
USDTWD	29.90	29.80	29.80	29.70	29.70	29.60	29.50
USDKRW	1009	1010	1000	1000	980	980	950
USDINR	59.70	61.00	61.00	61.00	62.00	63.00	63.00
USDVND	21300	21300	21300	21300	21300	21600	21600

LATAM Bloc	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
USDARS	8.10	9.00	10.95	12.65	12.75	13.95	15.00
USDBRL	2.20	2.38	2.45	2.45	2.48	2.50	2.55
USDCLP	550.10	543	555	555	550	550	545
USDMXN	13.00	12.90	12.85	12.80	12.80	12.75	12.75
USDCOP	1853.50	1940	1950	1967	1985	1980	2000
USDVEF	6.30	13.80	13.80	13.80	25.60	25.60	25.60
USDPEN	2.80	2.85	2.88	2.90	2.90	2.90	2.90

Others	Spot	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15
USD Index	80.20	82.86	83.67	84.78	85.43	86.30	86.65

***End Quarter**

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