

JULY 9, 2014

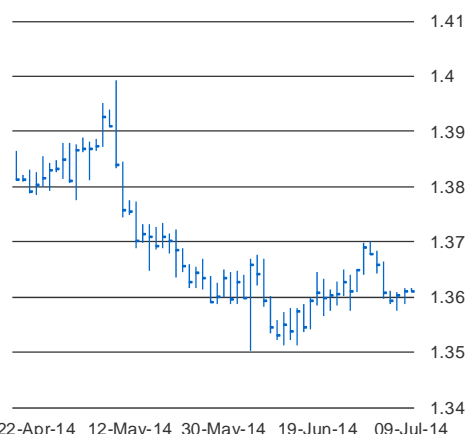
MS FX Daily Trading Recommendations

Changing bond and equity market behaviour is likely to threaten several of our positions. Hence, today's FOMC minutes will be important: Indeed, JPY crosses are likely to come under pressure, which could result in spillover to USDJPY. Hence, we look to switch back into USDJPY short positions. Positive surprises from Australian economic data could provide some additional support for AUD in the near term and, as a result, we take a more cautious stance with our short position, moderating our downside target. Volatility in GBPUSD triggered the stop on our long position yesterday, but we remain bullish and look to re-buy.

Short-Term Trading Recommendations

Currency	Pos	Entry	Target	Stop	Status
EURUSD	Short	1.3600	1.3100	1.3660	Open Pos
USDJPY	Long	101.80	102.20	101.40	Open Pos
GBPUSD	Buy	1.7130	1.7400	1.7080	Limit Order
USDCHF	Buy	0.8920	0.9250	0.8850	Limit Order
USDCAD	Buy	1.0650	1.1300	1.0550	Limit Order
AUDUSD	Short	0.9370	0.9300	0.9430	Open Pos

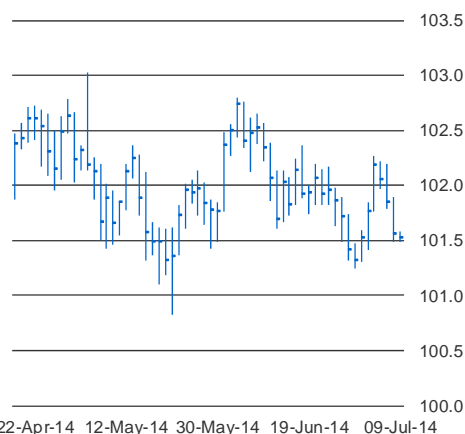
EURUSD: Lower stop to 1.3660



Res: 1.3640 1.3735 1.3775
Supp: 1.3575 1.3505 1.3475

We maintain our bearish view of EURUSD and have lowered the stop on our short position to 1.3660. Although the headline German trade data were better than expected, the exports for May were disappointing, showing a larger decline than anticipated by the market consensus. This comes at a time when business and politicians in Europe have become more vocal regarding the negative impact of a strong EUR. Failure to move above the 1.3650 level would maintain the bearish outlook, with a decline below 1.3575 returning the focus to the June 1.3505 lows. We maintain our medium-term targets of 1.3295 and 1.3100.

USDJPY: Use rebounds to switch back to shorts



Res: 102.35 102.65 103.05
Supp: 101.25 100.60 97.75

The USDJPY setback below the 101.80 level has weakened the outlook, and the changing dynamics within bond and equity markets also now threaten our bullish position. Hence, we would use any rebounds back towards the upper end of the trading range in the 102.20 area to switch back to USDJPY short positions. Indeed, we expect the current flattening of the US yield curve to put JPY crosses under pressure, with spillover onto USDJPY, keeping the upside limited. A move below the 101.40 level would provide the first sign of weakness, and hence this is where we now set our stop.

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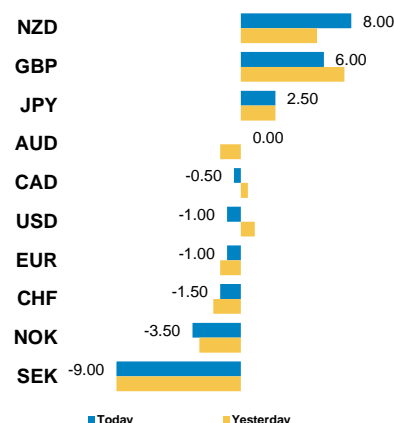
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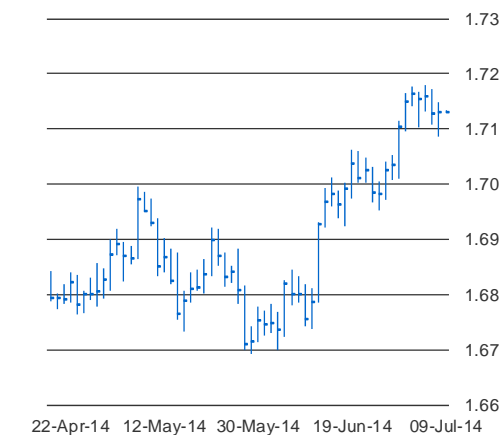
Morgan Stanley Relative Momentum Indicator (RMI)



Source: Morgan Stanley FX Strategy

Source for all graphs, unless indicated, is Bloomberg.

GBPUSD: Longs stopped at 1.7090, look to re-buy

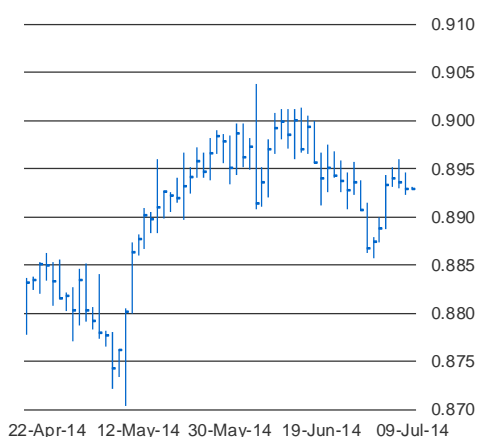


Res: 1.7180 1.7445 1.7500

Supp: 1.7095 1.7005 1.6920

Our GBPUSD long position was stopped at the 1.7090 level by yesterday's volatility following the softer-than-expected UK industrial production data. However, despite the pullback being slightly deeper than we originally anticipated, we maintain our bullish view and look to re-establish long positions at 1.7130. Although the BRC shop price index showed a further decline of 1.8%Y for June, the Halifax house price survey provided another robust reading with an increase to 8.8%Y. We continue to look for gains above the 1.7175/80 recent range top to open the way to our 1.7400/1.7500 target area.

USDCHF: Approaching our recommended buying level

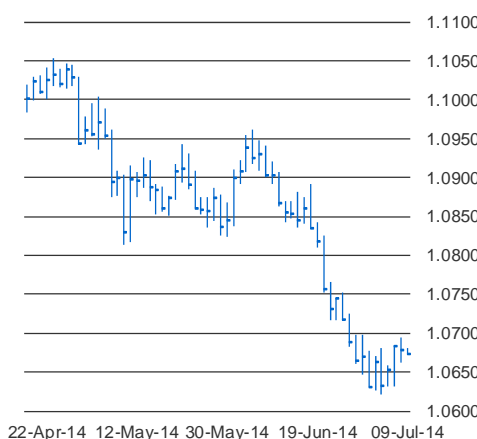


Res: 0.8960 0.9035 0.9160

Supp: 0.8900 0.8855 0.8775

The Swiss CPI data, released yesterday, were softer than expected, with the headline reading coming in at 0.0%Y and the harmonised measure moving back into deflationary territory with a -0.1%Y reading for June. The Swiss retail sales data also disappointed. We expect CHF to come under renewed pressure and the current USDCHF setback is now approaching our recommended buying level of 0.8920. We look for initial gains to 0.9020, with 0.9250 targeted over the medium term.

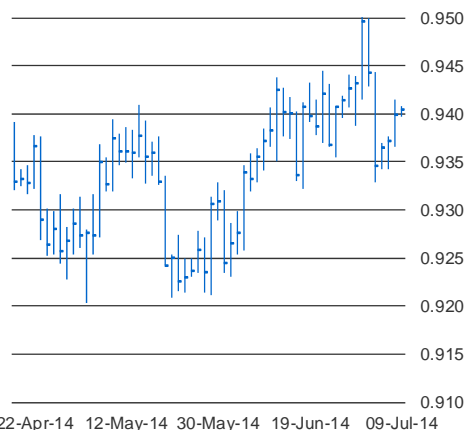
USDCAD: Looking to buy dips to 1.0650



Res: 1.0750 1.0815 1.0960

Supp: 1.0600 1.0560 1.0415

USDCAD is expected to remain supported: We remain buyers of USDCAD on dips, expecting CAD to come under pressure over the medium term. However, Canadian housing data have been strong over the past two months, which could provide some near-term CAD support. Meanwhile, volatility is possible around the release of the FOMC minutes today. If the minutes are dovish then there are risks that USDCAD could come under near-term selling pressure. But, overall we look to use pullbacks to establish longs positions. A move above 1.0750 is needed to provide an initial positive signal.



We take a more cautious stance with our short position, given the changing dynamics within the US bond market. Hence, the FOMC minutes today will be important for AUD. As a result, we have moderated our downside target to 0.9300 and have tightened our stop to 0.9430 to protect against any volatility resulting from the FOMC minutes. Moreover, the domestic Australian data have also surprised positively of late, with strong consumer confidence surveys released today, following yesterday's strong business confidence readings.

Res: 0.9465 0.9500 0.9540

Supp: 0.9330 0.9300 0.9210

Resistance/Support Levels

	Resistance	Support
EURUSD	1.3640 1.3735 1.3775	1.3575 1.3505 1.3475
USDJPY	102.35 102.65 103.05	101.25 100.60 97.75
GBPUSD	1.7180 1.7445 1.7500	1.7095 1.7005 1.6920
USDCHF	0.8960 0.9035 0.9160	0.8900 0.8855 0.8775
USDCAD	1.0750 1.0815 1.0960	1.0600 1.0560 1.0415
AUDUSD	0.9465 0.9500 0.9540	0.9330 0.9300 0.9210

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