

# Citibank Wealth Management Weekly FX Insight



Please note and carefully read the  
Important Disclosure on the last page



**Dec 29, 2014**  
with data as of Dec 26, 2014

**Market Review & Focus**  
P. 1 - 3

**FX Analysis**  
P. 4 - 8

**FX & Eco. Figures Forecast**  
P. 9 - 12

# Weekly FX Recap



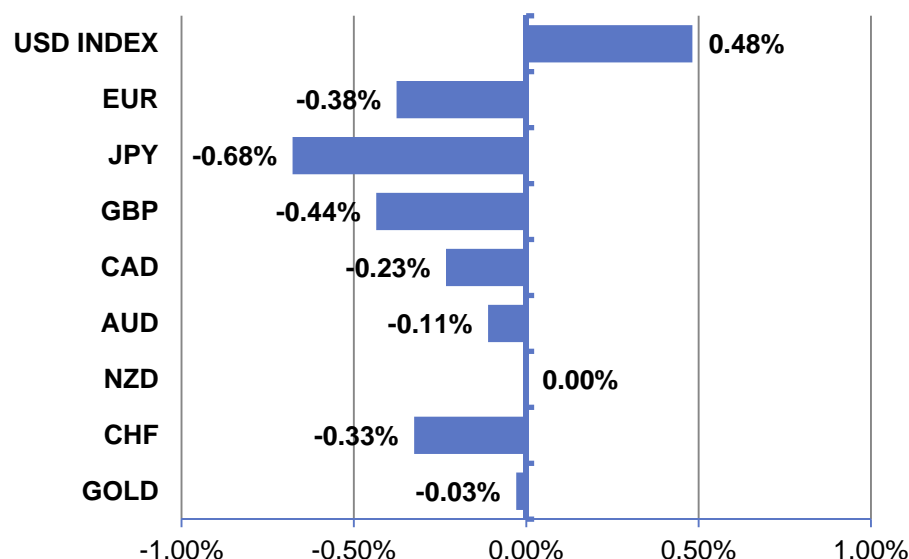
Please note and carefully read the Important Disclosure on the last page

## Major Currencies Weekly Performance

CCY	LAST WEEK PERFORMANCE			52 week high	52 week low	1 year % change
	Close Price	Day High	Day Low			
USD	90.03	90.16	89.37	90.16	78.91	11.86%
EUR/USD	1.2183	1.2273	1.2165	1.3993	1.2165	-11.01%
USD/JPY	120.31	120.83	119.32	121.85	100.76	-12.88%
GBP/USD	1.5558	1.5665	1.5486	1.7192	1.5486	-5.20%
USD/CAD	1.1627	1.1667	1.1578	1.1674	1.0589	-8.42%
AUD/USD	0.8121	0.8173	0.8088	0.9505	0.8088	-8.71%
NZD/USD	0.7760	0.7771	0.7695	0.8836	0.7609	-4.97%
USD/CHF	0.9875	0.9886	0.9805	0.9886	0.8699	-9.21%
GOLD	1196.00	1203.60	1170.78	1392.22	1131.24	-1.21%

Source: Bloomberg L.P., as of December 26, 2014

## Weekly changes versus US dollar



Source: Bloomberg L.P., as of December 26, 2014

**USD**

The USD was underpinned as U.S. 2014 Q3 GDP was revised up from 3.9% to 5.0%, the highest since 2003. The dollar index rose 0.5% to close at 90.03 last week. **USD outlook: The dollar index may rise to 92.63.**

**JPY**

The JPY dropped as global stocks gained, triggering fund outflows from JPY as a safe-haven currency, and U.S.-Japan yield spread widened. USD/JPY rose 0.7% to close at 120.31 last week. **JPY outlook: USD/JPY may rise to 121.85.**

**EUR**

The EUR dropped below 1.22 on USD rally and political uncertainty as the coalition government still failed to elect a new president in Greece. EUR/USD dropped 0.4% to close at 1.2183. **EUR outlook: EUR/USD may test lower to 1.2043.**

**NZD**

The NZD pared losses as NZ trade deficit narrowed from NZD 911 million to NZD 213 million in November 2014. NZD/USD stayed flat at 0.7760 last week. **NZD outlook: NZD/USD may range trade between 0.7609-0.8052.**

# Weekly FX Strategies



## 1. Bearish - EUR

- The EUR may drop as the ECB may implement QE in January 2015
- EUR/USD may test lower to 1.2043 (9.35)

## 2. Bearish - JPY

- The JPY may depreciate as the BoJ may implement additional easing in mid-2015
- USD/JPY may test higher to 121.85 (63.68)

## 3. Bearish - CAD

- The CAD may be undermined due to falling commodity prices
- USD/CAD may rise to 1.1725-1.1762 (6.62-6.60)

## Weekly FX Focus:

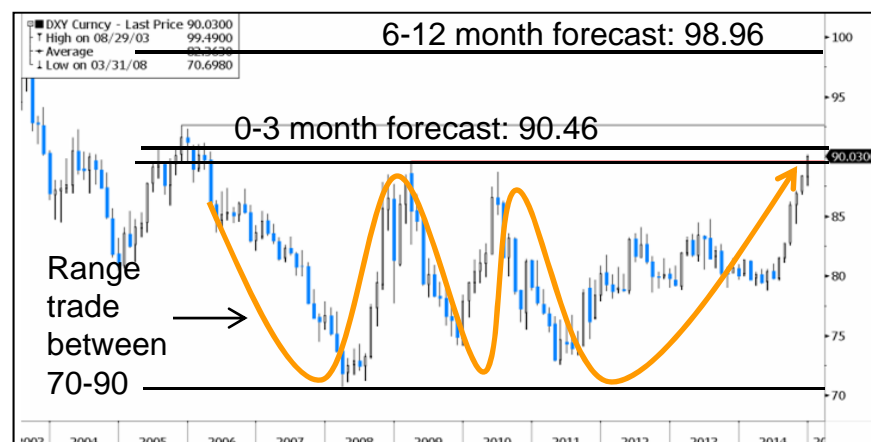
### Bearish on EUR amid the dollar index rising above 90



- The dollar index rose above 90 due to strong U.S. economy and possible earlier rate hikes than other major countries. We expect the USD to remain strong. The EUR, the highest weighting of the Dollar index, may be subject to greater impact.

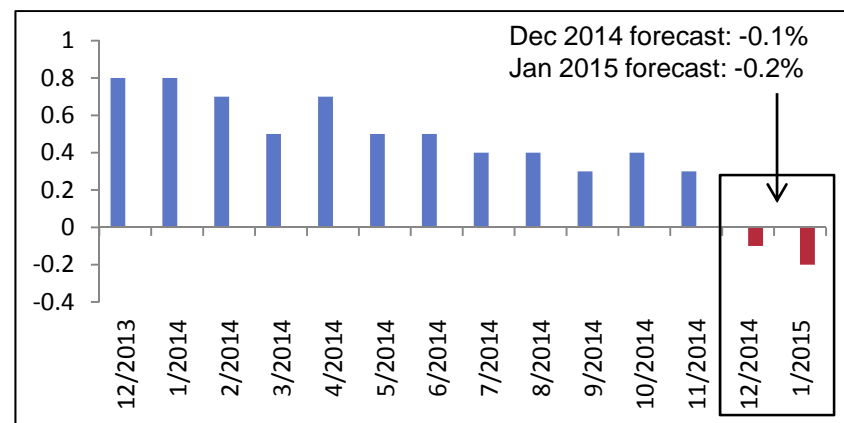
- Strong economy:** U.S. Q3 GDP was revised up to 5.0% from 3.9%, the largest growth since 2003. Consumer spending was revised up by 1% to 3.2%. We expect the service sector to grow strongly, which may underpin U.S. economic growth in Q4 2014.
- Bullish on USD:** The dollar index has range-traded between 70-90 since 2005 (Chart 1). If the index rises above an important resistance at 90.00, a new round of rally may start. Citi analysts expect the dollar index to rise to 90.46 and 98.96 for the coming 0-3 months and 6-12 months respectively, with an upside bias.
- Bearish on the EUR:** The EUR, the highest weighting (57%) of the dollar index, may be subject to greater impact. Eurozone's inflation may drop to -0.1% YoY in Dec 2014 and -0.2% YoY in Jan 2015 (Chart 2) due to lower oil prices. Thus, the ECB may implement QE in Jan 2015 and the EUR may drop to 1.2043.

Chart 1: Dollar Index – Weekly Chart



Source: Bloomberg L.P., as of December 26, 2014

Chart 2: Eurozone's CPI (YoY %)



Source: Bloomberg L.P., as of December 26, 2014

# EUR/USD

## EUR/USD may test lower to 1.2043 (9.35)

Please note and carefully read the Important Disclosure on the last page

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7600 exchange rate for reference

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m Forecast	6-12m Forecast
1.2183 (9.45)	1.2273 (9.52)	1.2165 (9.44)	1.1877 (9.22)	1.2043 (9.35)	1.2332 (9.57)	1.2484 (9.69)	1.21 (9.39)	1.10 (8.54)

### Upcoming Economic Data

Jan 2: Manufacturing PMI

### Market Recap:

- The EUR was pressured on a rise in the USD as U.S. economic growth rose from 3.9% to 5.0% in Q3 2014, fueling expectations of earlier rate hikes by the Fed.

### EUR Outlook:

- Although oil prices stabilized recently, CPI may drop further as oil prices may continue to be under pressure. Citi analysts expect CPI may drop to -0.1% YoY in Dec 2014 and to -0.2% YoY in Jan 2015.
- Low CPI may prompt the ECB to implement additional easing in January 2015, which may further suppress the EUR.
- The ruling coalition could not win a majority in the election in Greece. Investors pay attention to the third round of election on Monday.

### Technical Analysis:

- EUR/USD may further test lower to 1.2043 (9.34), with resistance at 1.2528 (9.71)



Source: Bloomberg L.P., as of December 26, 2014



# USD/JPY

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7600 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3M	6-12M
120.31 (64.50)	120.83 (64.22)	119.32 (65.04)	115.50 (67.19)	117.93 (65.80)	121.85 (63.68)	124.14 (62.43)	120 (64.67)	130 (59.69)

**The JPY may be undermined in the medium and long term as the BoJ may implement additional easing in Jul 2015**

**Weekly recap:** The JPY dropped as U.S. economic growth in Q3 2014 was revised up and Japan's core inflation (excluding sales tax) dropped from 0.9% YoY to 0.7% YoY.

**Outlook analysis:** Despite Japan's 3.5 trillion JPY stimulus package, including energy subsidies and low interest loans for small businesses, core inflation (excluding sales tax) may fall to negative region in mid-2015 due to low oil prices. The BoJ may expand QE in Jul 2015, which may undermine the JPY in the long term.

**Technical analysis:** USD/JPY may test higher to 121.85 (63.68) upon consolidation, with support at 117.93 (65.80).

## USD/CAD

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3M	6-12M
1.1627 (6.67)	1.1667 (6.65)	1.1578 (6.70)	1.1279 (6.88)	1.1533 (6.73)	1.1725 (6.62)	1.1762 (6.60)	1.18 (6.58)	1.25 (6.21)

**The CAD may be undermined in the medium and long term as falling oil prices may reduce Canada's export income**

**Weekly recap:** Although the USD was supported on strong U.S. economic data, the CAD range-traded last week as oil prices stabilized at lows.

**Outlook analysis:** Global economic slowdown and falling commodity prices may slow down the Canadian export income and ease inflation pressure, although the local retail market remains strong and the economy keeps growing. The BoC may keep the current interest rate until Q1 2016, which may undermine the CAD in the medium and long term.

**Technical analysis:** USD/CAD may test higher to 1.1725-1.1762 (6.62-6.60), with support at 20MA of 1.1533 (6.73).

### USD/JPY – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014

### USD/CAD – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014

# AUD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7600 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3M	6-12M
0.8121 (6.30)	0.8173 (6.34)	0.8088 (6.28)	0.7704 (5.97)	0.8067 (6.25)	0.8353 (6.48)	0.8596 (6.66)	0.80 (6.20)	0.70 (5.43)

## The AUD may stabilize at lows as RBA may not cut rate in 2015

**Weekly recap:** The AUD was pressured on a rise in the USD as U.S. economic growth was revised up significantly, fueling expectations of earlier rate hikes by the Fed.

**Outlook analysis:** Although markets are worried that the RBA may cut rates next year, we expect local consumption and business investment to keep growing and thus rate cuts are unlikely. However, falling commodity prices may reduce export profitability and inflation pressure. Thus, the RBA may keep the current low rate until Q1 2016, which may undermine the AUD.

**Technical analysis:** AUD/USD is in seriously oversold condition. The pair may rebound, with support at 0.8067 (6.25).

# NZD/USD

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3M	6-12M
0.7760 (6.02)	0.7849 (6.09)	0.7682 (5.96)	0.7457 (5.78)	0.7609 (5.90)	0.8052 (6.24)	0.8110 (6.29)	0.75 (5.81)	0.65 (5.04)

## The NZD may be undermined in the medium and long term as falling milk prices may drag commodity prices

**Weekly recap:** Although the NZD was once pressured on strong USD, the NZD rebounded from lows afterwards as NZ's trade deficit narrowed significantly from NZD 911 million to NZD 213 million in Nov 2014.

**Outlook analysis:** Citi analysts expect strong local demand and investment may support NZ economy to grow 2.8% next year. However, falling milk prices may reduce NZ export income. Together with strong USD, the NZD's upside may be limited.

**Technical analysis:** NZD/USD may range trade between 0.7609-0.8052 (5.90-6.25).

## AUD/USD – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014

## NZD/USD – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014

# GBP/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7600 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3M	6-12M
1.5558 (12.07)	1.5665 (12.16)	1.5486 (12.02)	1.5102 (11.72)	1.5429 (11.97)	1.5804 (12.25)	1.6064 (12.47)	1.55 (12.03)	1.43 (11.10)

## A possible rate hike delay to Q4 2015 may be bearish on GBP

**Weekly recap:** The GBP was pressured last week amid strong USD as U.K. Q3 economic growth revised down from 3.0% YoY to 2.6% YoY.

**Outlook analysis:** Despite signs of strong U.K. economy and rising salary and falling oil prices underpinning consumption, moderating CPI and twin deficit may prompt the BoE to delay rate hikes. With political uncertainty on next year's election, GBP may be undermined in the medium and long term.

**Technical analysis:** Due to a serious divergence in GBP/USD, the pair downside may be limited and may rebound, with support at 1.5429 (11.97).

# USD/CNY

Last Price	Last wk High	Last wk Low	0-3M	6-12M
6.2130	6.2340	6.1917	6.22	6.30

## The CNY may be undermined as the PBOC cut rates but Citi analysts are still bullish on the CNY in the long term.

**Weekly recap:** USD/CNY rebounded on USD strength although the pair once dropped below 6.20 amid low trading volume in Christmas.

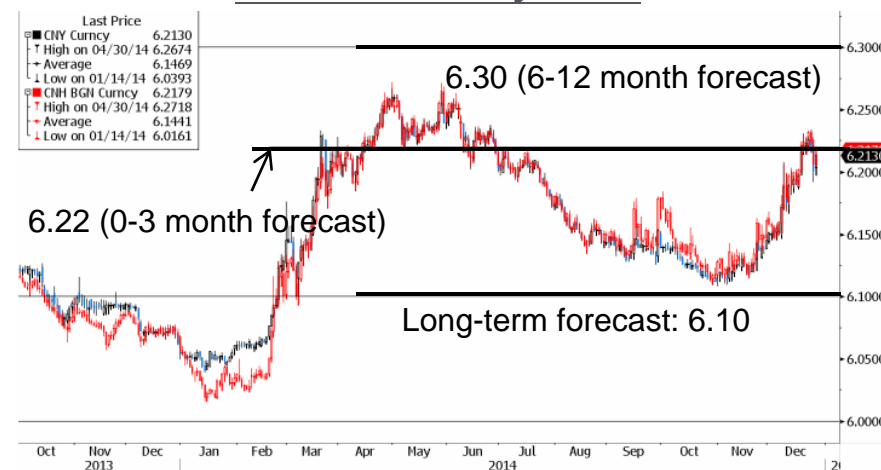
**Outlook analysis:** PBOC may still reduce rates 2 times before mid-2015, with USD strength, which may suppress the CNY. However, in longer term, the net inflows related to the Shanghai-Hong Kong stock connect and the authorities' unwillingness to see excessive RMB weakness vs. the USD may support the CNY.

## GBP/USD – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014

## USD/CNY – Daily Chart



Source: Bloomberg L.P., as of December 26, 2014



# Upcoming Economic Figures and Events



Please note and carefully read the Important Disclosure on the last page

## The USD may be underpinned amid U.S. Job data

U.S.	<b>December Consumer Confidence Index</b> ➤ Consumption may be underpinned as oil prices fall. We expect Consumer Confidence Index may rise significantly from 88.7 to 94.0 in December, which may support the USD.	<b>December 30 (Tue):</b> Consumer Confidence Index <u>Citi forecast</u> <u>Prior</u> 94.0                      88.7
Euro zone	<b>December Manufacturing PMI (Final value)</b> ➤ Markets expect the figure to stay at 50.8. If the figure is finally revised down, the EUR may be undermined as it may trigger expectations that the ECB may implement additional easing.	<b>January 2 (Fri):</b> Manufacturing PMI <u>Citi forecast</u> <u>Prior</u> 50.8                      50.8
U.K.	<b>December Manufacturing PMI</b> ➤ U.K. PMI has improved for the past two months. We expect the figure to further improve and to rise above long-term average of 51, reflecting continuously strong economic growth, which may underpin the GBP.	<b>January 2 (Fri):</b> Manufacturing PMI <u>Citi forecast</u> <u>Prior</u> 54.0                      53.5
China	<b>December Manufacturing PMI</b> ➤ Given China's weak domestic demand, we expect the figure to drop from 50.3 to 50.0 in December, which may restrain the CNY.	<b>January 1 (Thur):</b> Manufacturing PMI <u>Citi forecast</u> <u>Prior</u> 50.0                      50.3

# Appendix 1: Citi Interest Rate and FX Forecast for 2014



Please note and carefully read the Important Disclosure on the last page

## Citi FX Outlook Forecast

## Citi FX Interest Rate Forecast

	0-3 month		6-12 month		12/26/14	4Q'14	1Q '15	2Q '15
Dollar Index	90.46	↑	98.96	↑	0.25	0.25	0.25	0.25
EUR/USD	1.21		1.10		0.05	0.05	0.05	0.05
GBP/USD	1.55	↑	1.43	↑	0.50	0.50	0.50	0.50
USD/JPY	120	↑	130	↑	0.10	0.10	0.10	0.10
USD/CHF	1.00		1.10		0.00	0.00	0.00	0.00
AUD/USD	0.80	↓	0.70	↓	2.50	2.50	2.50	2.50
NZD/USD	0.75	↓	0.65	↓	3.50	3.50	3.50	3.50
USD/CAD	1.18	↑	1.25	↑	1.00	1.00	1.00	1.00
USD/CNY	6.22	↑	6.30	↑	2.75	2.75	2.50	2.25

Source: Citi, forecast as of Dec 18, 2014

↓ Forecast downgraded  
↑ Forecast upgraded

Rate cut expectations

Rate hike expectations

EUR

Since weak EUR may be one of the major ECB's objectives and the ECB may implement additional easing, Citi analysts expect the **EUR may consolidate at 1.21 for the coming 0-3 months and may drop to 1.10 in the medium and long term and parity may be approached in the coming two years.**

GBP

GBP could be supported in the near term by a still strong economy and possible rate hikes in 2015. **GBP/USD may stabilize at 1.55 for the coming 0-3 months.** But political risk premia may rise further out and U.K. is facing the serious twin fiscal/ current account deficits, which may undermine the GBP. Thus, **Citi analysts revised down GBP 6-12 month forecast significantly from 1.51 to 1.43.**

AUD

The AUD may be further undermined due to strong USD, larger-than-expected speed and magnitude of decreases in commodity prices and further deterioration of terms of trade. **We revise down AUD 0-3 month and 6-12 month forecast at 0.80 and 0.70 respectively.**

NZD

Since the RBNZ may defer rate hikes to Q4 2015 and commodity prices keep falling, which may be NZD-negative. **We revise down NZD 0-3 month and 6-12 month forecasts at 0.75 and 0.65 respectively.**

JPY

Since the BoJ may expand QE and GPIF is reallocating its portfolio, **Citi analysts expect USD/JPY to test higher to 140 in the longer term.**

## Appendix 2: Last week's Economic Figures



Please note and carefully read the Important Disclosure on the last page

Time		Importance	Event	Period	Actual	Survey	Prior
<b>Monday</b>							
12/22/2014 05:00	NZ	!	Westpac Consumer Confidence	4Q	114.8	--	116.7
12/22/2014 23:00	US	!!	Existing Home Sales MoM	Nov	-6.10%	-1.10%	1.50%
<b>Tuesday</b>							
12/23/2014 05:45	NZ	!!	Trade Balance	Nov	-213M	-550M	-908M
12/23/2014 05:45	NZ	!!	Exports	Nov	4.02B	4.00B	4.03B
12/23/2014 05:45	NZ	!!	Imports	Nov	4.24B	4.55B	4.94B
12/23/2014 17:30	UK	!	BBA Loans for House Purchase	Nov	36717	--	37076
12/23/2014 17:30	UK	!!!	GDP QoQ	3Q	0.70%	0.70%	0.70%
12/23/2014 17:30	UK	!!!	GDP YoY	3Q	2.60%	3.00%	3.00%
12/23/2014 17:30	UK	!!	Current Account Balance	3Q	-27.0B	-21.3B	-23.1B
12/23/2014 21:30	CA	!!!	GDP MoM	Oct	0.30%	0.10%	0.40%
12/23/2014 21:30	CA	!!!	GDP YoY	Oct	2.30%	2.10%	2.30%
12/23/2014 21:30	US	!!	Durable Goods Orders	Nov	-0.70%	2.90%	0.40%
12/23/2014 21:30	US	!!	Durables Ex Transportation	Nov	-0.40%	1.00%	-0.90%
12/23/2014 21:30	US	!!!	GDP Annualized QoQ	3Q	5.00%	4.30%	3.90%

## Appendix 3: Upcoming Economic Figures (Dec 29, 2014 – Jan 2, 2015)



Please note and carefully read the  
Important Disclosure on the last page

Time		Importance	Event	Period	Actual	Survey	Prior
<b>Eurozone</b>							
01/02/2015 17:00	Fri	!!!	Markit Eurozone Manufacturing PMI	Dec	--	50.8	50.8
<b>China</b>							
12/31/2014 09:45	Wed	!	HSBC China Manufacturing PMI	Dec	--	49.5	49.5
01/01/2015 09:00	Thu	!!	Manufacturing PMI	Dec	--	50	50.3
<b>U.K.</b>							
12/30/2014 15:00	Tue	!	Nationwide House Px NSA YoY	Dec	--	7.20%	8.50%
01/02/2015 17:30	Fri	!	Mortgage Approvals	Nov	--	58.7K	59.4K
01/02/2015 17:30	Fri	!!	M4 Ex IOFCs 3M Annualised	Nov	--	2.80%	2.50%
01/02/2015 17:30	Fri	!!!	Markit UK PMI Manufacturing SA	Dec	--	53.7	53.5
<b>U.S.</b>							
12/30/2014 22:00	Tue	!	S&P/CS Composite-20 YoY	Oct	--	4.28%	4.90%
12/30/2014 23:00	Tue	!!	Consumer Confidence Index	Dec	--	94	88.7
12/31/2014 21:30	Wed	!!	Initial Jobless Claims	Dec	--	--	--
12/31/2014 21:30	Wed	!!	Continuing Claims	Dec	--	--	--
12/31/2014 22:45	Wed	!	Chicago Purchasing Manager	Dec	--	60	60.8
12/31/2014 23:00	Wed	!	Pending Home Sales NSA YoY	Nov	--	3.60%	2.20%
01/02/2015 23:00	Fri	!	Construction Spending MoM	Nov	--	0.40%	1.10%
01/02/2015 23:00	Fri	!!	ISM Manufacturing	Dec	--	57.5	58.7

# Important Disclosure

---



**For any enquiries, please call (852) 2860-0333**

This document is based on information provided by Citigroup Investment Research, Citigroup Global Markets, and Citigroup Global Wealth Management. It is provided for your information only. It is not intended as an offer or solicitation for the purchase or sale of any security. Information in this document has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the information, consider its appropriateness, having regard to their objectives, financial situation and needs. Any decision to purchase securities mentioned herein should be made based on a review of your particular circumstances with your financial adviser. Investments referred to in this document are not recommendations of Citibank (Hong Kong) Limited ("Citibank") or its affiliates. Although information has been obtained from and is based upon sources that Citibank believes to be reliable, Citi analysts do not guarantee its accuracy and it may be incomplete and condensed. All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Past performance is no guarantee of future results. The document is not to be construed as a solicitation or recommendation of investment advice. Subject to the nature and contents of the document, the investments described herein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal the amount invested. Certain investments contained in the document may have tax implications for private customers whereby levels and basis of taxation may be subject to change. Citibank does not provide tax advice and investors should seek advice from a tax adviser. Investment products: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Citi Foreign Exchange: Forecasts are a joint venture between Citi's foreign exchange, global macro and technical strategy groups and our developed and emerging markets economists. Under normal circumstances, we expect to present Forecasts on a monthly schedule although we may offer intra month updates if circumstances dictate. Technical Trend: All views, opinions and estimates derived from CitiFX Technicals (i) may change without notice and (ii) may differ from those views, opinions and estimates held or expressed by Citi or other Citi personnel, including Citi Foreign Exchange: Forecast. Should CitiFX Technicals not cover any major currency pairs, the indication of short-term technical "bullish", "bearish", or "neutral" trends will be based on the result of analysis with various widely known short-term technical analysis tools, namely RSI, MACD, fibonacci, stochastics, bollinger bands, and simple moving averages.