

Citibank Wealth Management Daily FX & Market Commentary



Oct 14, 2014

Published from Tuesday to Friday

Market Recap

- US Stocks retreated:** The S&P 500 fell 1.6%, breaking below the 1900-level as well as the 200-day moving average, as energy shares led the fall, down 2.9% for the sector.
- European stocks closed flat:** The Stoxx 600 was largely unchanged, taking a break from a three-week slide, as airline stocks took gains on cheaper oil price that lower their operating costs.
- Hong Kong stocks rose:** The Hang Seng index closed slightly up at 0.2% with utilities and Hong Kong property stocks showing resilience while selective China property stocks fell as major property developer, Shimao, reported slower property sales in the first 3Q.

Table: Daily Market Movement (Oct 13, 2014)

Equity Market Indices				Commodity Futures		
U.S.	Close	Change	%	Energy & Metals	Close	%
S&P 500 Index	1,874.74	-31.4	-1.6%	WTI Crude Oil (USD/bbl)	85.74	-0.1%
Dow Jones Industrial Average	16,321.07	-223.0	-1.3%	Brent Crude (USD/bbl)	88.89	-1.5%
NASDAQ Composite Index	4,213.66	-62.6	-1.5%	Natural Gas (USD/MMBtu)	3.92	+1.5%
Europe				COMEX Gold (USD/oz)	1,230.0	+0.7%
Stoxx Europe 600 Index	321.56	-0.1	0.0%	LME Copper (USD/MT)	6,710.0	+1.0%
DAX Index	8,812.43	+23.6	+0.3%	Bond Yields & CNY		
Japan				U.S. Treasuries - Yields		
TOPIX Index	1,243.09	0.0	0.0%	3-Month - Yield (%)	0.01	0.00
Nikkei 225 Stock Average	15,300.55	0.0	0.0%	5-Year - Yield (%)	1.53	0.00
China / Hong Kong				10-Year - Yield (%)	2.28	0.00
Hang Seng Index	23,143.38	+54.8	+0.2%	30-Year - Yield (%)	3.01	0.00
Hang Seng China Enterprises	10,284.90	-16.6	-0.2%	USD/CNY		
Shanghai SE Composite	2,366.01	-8.5	-0.4%	China Renminbi Spot	6.13	-0.1%

Data Source: Bloomberg L.P.

Hot News: Catalysts may drive Chinese stocks amid lower valuations

Chart: China Export and Import Growth (Year-on-year)



Source: Bloomberg L.P., as of September 2014

Hong Kong/ China stocks fell 9% from year's peak

- Hang Seng Index and MSCI China had corrected around 9% from year-high in early Sep., in line with the fall in global equities amid worries on global economic growth outlook
- Meanwhile, Hong Kong turnover has remained largely stable, average around HK\$71 billion daily in Oct., in line with year-to-date average of HK\$65.2 per day.
- Citi analysts believe Chinese equities will recover going forward based on China's stable growth outlook, attractive equities valuations and upcoming catalysts.

Citi analysts expect China stocks to recover:

- Yesterday China released export numbers showing an impressive 15.3% growth in Sep., the highest monthly gain since Feb 2013 (Chart).
- As a whole, third-quarter export growth shows strength at 12.9%, accelerating from 4.9% and -3.5% growth in the 2nd and 1st quarter respectively.
- Improving export growth in China, benefitting especially from solid recovery in the U.S., may continue to contribute to China's growth.
- Citi analysts expect more accommodative policies to help support the economy as the government recently signaled its intention with its stronger-than-expected loosening in the property sector.
- Good news that may come from the 4th plenary meeting next week may also help market sentiments as well as confirm China's longer-term structural reform roadmap.
- Valuations are attractive after the correction with Hang Seng Index estimated price-to-earnings ratio now at 10.7x, below its long-term average of 12.7x.
- Citi analysts forecast MSCI China to reach 72 by mid 2015, a 16% upside from current levels.

Citibank Wealth Management Daily FX & Market Commentary



FX & Commodity Technical Corner

CCY	YESTERDAY PERFORMANCE			FX TREND	TECHNICAL		Citi Foreign Exchange Forecast:	
	Close Price	Day High	Day Low		Support	Resistance	0-3 Months	6-12 Months
USD	85.53	85.82	85.07	Neutral	82.67	87.59	87.59	92.65
EUR/USD	1.2752	1.2761	1.2620	Bearish	1.2501	1.3018	1.23	1.15
USD/JPY	106.86	107.62	106.78	Neutral	105.44	110.09	109.00	115.00
GBP/USD	1.6085	1.6127	1.6051	Neutral	1.5944	1.6421	1.60	1.58
USD/CAD	1.1199	1.1220	1.1170	Neutral	1.0992	1.1279	1.12	1.15
AUD/USD	0.8772	0.8787	0.8652	Neutral	0.8579	0.8899	0.88	0.83
NZD/USD	0.7893	0.7898	0.7795	Neutral	0.7709	0.8052	0.78	0.70
USD/CHF	0.9480	0.9576	0.9471	Neutral	0.9156	0.9839	0.98	1.05
USD/SGD	1.2721	1.2766	1.2704	Neutral	1.2590	1.2860	1.27	1.27
GOLD	1235.87	1237.82	1213.55	Neutral	\$1,182	\$1,240	1200	1240

FX Rate Source: Bloomberg L.P. (cut off time is NY Time 5:00pm)

- **USD fell:** Investors continued to reduce bets for an early rate hike by the Fed yesterday.
- **JPY advanced:** Global equities retreated and market risk elevated, triggering the USD/JPY sell-off yesterday.
- **High yield currencies rebounded:** China Export and Import grew by 15.3% and 7.0% respectively in Sep, topped market estimates.

Daily FX Focus

AUD/USD may fall toward 0.8316-0.8579



Source: Bloomberg L.P., data as of Oct 14, 2014

AUD Outlook:

- Although China Import grew strongly by 7% (YoY) in Sep, the strong rebound may be temporary.
- On a quarterly basis, import growth for iron and ore imports (in volume) fell from around 19% (YoY) in 1H to about 12% (YoY) in 3Q, while growth for copper plummeted from roughly 26% (YoY) in 1H to -15% (YoY) in 3Q,
- Imports from Australia plunged 5.7% (YoY) in Sep. Combine with the reducing China demand of Australia's main export commodities, such as iron ore and copper, this will likely weaken Australia's export income and undermine the AUD.
- RBA Assistant Governor DeBelle said AUD is still overvalued. The dovish comment may also restrain the AUD in the short term.

Technical Analysis:

- A close below the 0.8660 level would be an important sign that lower levels are likely to be seen. The pair will likely test lower to 0.8316-0.8579, with resistance at 0.8899.

Data to be released for the next 24 hours:

- No important economic data will be released.

NOTE: The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.75 exchange rate for reference, and 1,000 yen per unit for JPY/HKD.
© 2014 Citibank
Citibank and Arc Design is a registered service mark of Citibank, N.A. or Citigroup Inc. Citibank (Hong Kong) Limited

Citibank Wealth Management Daily FX & Market Commentary



GBP/USD may stabilize at 1.5855-1.5944:



Source: Bloomberg L.P., data as of Oct 14, 2014

Technical Analysis:

- GBP/USD's RSI has returned to neutral level, indicating a limited downside. The pair will probably stabilize at around 1.5855-1.5944 and may rebound to 1.6421 upon consolidation.

Data to be released for the next 24 hours:

- No important economic data will be released.

GBP Outlook:

- The BOE Governor Carney says Eurozone weakness does not dictate monetary policy of BOE.
- Evidence this week - retail sales and labour data - that domestic demand remains resilient could support the pound.
- We anticipate the U.K. unemployment rate to fall to 6.1% in Aug. This will likely be GBP-positive.

GBP/AUD may climb to 1.8685:



Source: Bloomberg L.P., data as of Oct 14, 2014

Technical Analysis:

- GBP/AUD's RSI is still in a healthy level, indicating the pair to have further upside. The pair will likely climb to 1.8685, with support at 1.8201.

Data to be released for the next 24 hours:

- No important economic data will be released.

GBP/AUD Outlook:

- We anticipate the RBA to hike rates in Q2 2015 while the BOE may start raising rates earlier in Q1 2015.
- U.K. economy remains strong while Australia's economy may slow further amid reducing China demand.
- Thus, we expect the GBP to outperform the AUD in the medium term.

Citibank Wealth Management Daily FX & Market Commentary



Important Economic Data (Oct 13, 2014 – Oct 17, 2014)

Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
10/13/2014	CH	!!	Trade Balance	Sep	\$30.9B	\$41.10B	\$49.84B
10/13/2014	CH	!!	Exports YoY	Sep	15.30%	12.30%	9.40%
10/13/2014	CH	!!	Imports YoY	Sep	7.00%	-2.00%	-2.40%
Tuesday							
10/14/2014 08:30	AU	!	NAB Business Confidence	Sep	--	--	8
10/14/2014 16:30	UK	!!!	CPI YoY	Sep	--	1.40%	1.50%
10/14/2014 17:00	GE	!!	ZEW Survey Expectations	Oct	--	0	6.9
Wednesday							
10/15/2014 07:30	AU	!	Westpac Consumer Conf SA MoM	Oct	--	--	-4.60%
10/15/2014 09:30	CH	!!	CPI YoY	Sep	--	1.70%	2.00%
10/15/2014 16:30	UK	!!	Jobless Claims Change	Sep	--	-33.5K	-37.2K
10/15/2014 16:30	UK	!!!	ILO Unemployment Rate 3Mths	Aug	--	6.10%	6.20%
10/15/2014 20:30	US	!!!	Retail Sales Advance MoM	Sep	--	-0.20%	0.60%
10/15/2014 20:30	US	!!!	Retail Sales Ex Auto MoM	Sep	--	0.20%	0.30%
Thursday							
10/16/2014 02:00	US	!!	U.S. Federal Reserve Releases Beige Book	Oct			
10/16/2014 08:00	NZ	!	ANZ Consumer Confidence MoM	Oct	--	--	1.80%
10/16/2014 17:00	EC	!!!	CPI YoY	Sep	--	0.30%	--
10/16/2014 20:30	CA	!	Int'l Securities Transactions	Aug	--	--	5.30B
10/16/2014 20:30	US	!!	Initial Jobless Claims	Oct	--	--	287K
10/16/2014 21:15	US	!	Industrial Production MoM	Sep	--	0.40%	-0.10%
Friday							
10/17/2014 20:30	CA	!!	CPI YoY	Sep	--	2.00%	2.10%
10/17/2014 20:30	CA	!!	CPI Core YoY	Sep	--	2.00%	2.10%
10/17/2014 20:30	US	!!	Housing Starts MoM	Sep	--	4.80%	-14.40%
10/17/2014 20:30	US	!!	Building Permits MoM	Sep	--	3.20%	-5.60%
10/17/2014 21:55	US	!!	Univ. of Michigan Confidence	Oct	--	84.2	84.6

Source: Source: Bloomberg L.P.
(K = Thousand, M = Million, B = Billion)

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

This document is based on information provided by Citigroup Investment Research, Citigroup Global Markets, Citigroup Global Wealth Management and Citigroup Alternative Investments. 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.