

FX Convictions

DISCLAIMER: This report has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead. This report is marketing communication and not investment research and is intended for professional and eligible clients only.

12 May 2016

Add HUF long versus EUR

Georgette Boele
Co-ordinator FX & Precious Metals
Strategy
Tel: +31 20 629 7789
georgette.boele@nl.abnamro.com

- **Add HUF long (versus EUR) to our FX high conviction calls...**
- **...because of strong fundamentals,...**
- **... a possibility of a rating upgrade and...**
- **...an attractive level to enter EUR/HUF short**

Add HUF long (versus EUR) to our FX high conviction list

We expect the Hungarian forint to continue to outperform the euro this year and next year. Financial markets have taken Hungarian politics for granted so this will unlikely weigh on investor sentiment towards the forint. What is more important is that fundamentals are very strong and a rating upgrade is increasingly likely. Hungary has a substantial current account surplus which will likely shield it from a sharp deterioration in investor sentiment on financial market. Despite the fact that the Hungarian central bank will probably further ease monetary policy in the near-term, this will be very modest and less than what financial markets appear to anticipate. Further down the road, higher inflationary pressures and a strong economy will likely result in more aggressive rate hikes later on. This should result in a strong rally in the forint versus the euro. In short, current relatively low levels in the forint are an opportunity to position for strength in later this year and next year. Therefore we add long HUF versus euro to our FX high conviction list. We put the stop loss on 325.

More strengthening of the Norwegian krone ahead

The strong rally in oil prices since the lows set in January, has given strong support to the Norwegian krone. Today, Norwegian Q1 GDP numbers were released. Both total GDP and mainland GDP surprised on the upside. Meanwhile, the Norges Bank kept interest rates unchanged at 0.5%. In the statement the Norges Bank said that *"consumer price inflation remains elevated, but a stronger krone may contribute to a slightly more rapid decrease in inflation than projected in March. On the other hand, the rise in oil prices may reduce uncertainty and contribute to somewhat higher growth in the Norwegian economy"*. We think that the Norges Bank is comfortable with a strengthening krone in an environment of higher oil prices, which we expect. We expect the krone to outperform the euro this year and next year.

Our targets for EUR/NOK for the end of 2016 and 2017 are 8.75 and 8.25 respectively. So we keep our short EUR and long NOK position.

Our open positions and stop loss levels

Open positions

High conviction views

Open	Open	Last price	Position base currency	Stop loss
EURNOK	9.5400	9.2526	Short since 19 Feb 2016 17.00	9.40
CADSGD	1.0590	1.0671	Long since 11 May 2016 04.04	1.0450
EURHUF	315.25	315.27	Short since 12 May 2016 12.02	325.00

Source: ABN AMRO Group Economics

DISCLAIMER

ABN AMRO Bank
Gustav Mahlerlaan 10 (visiting address)
P.O. Box 283
1000 EA Amsterdam
The Netherlands

This material has been generated and produced by a currency Strategist ("Strategists"). Strategists prepare and produce trade commentary, trade ideas, and other analysis to support the sales and trading desks. The information in these reports has been obtained or derived from public available sources; ABN AMRO Bank NV makes no representations as to its accuracy or completeness. The analysis of the Strategists is subject to change and subsequent analysis may be inconsistent with information previously provided to you. Strategists are not part of any department conducting 'Investment Research' and do not have a direct reporting line to the Head Trading or the Head of Sales. The view of the Strategists may differ (materially) from the views of the Trading and sales desks or from the view of the Departments conducting 'Investment Research' or other divisions.

This marketing communication has been prepared by ABN AMRO Bank N.V. or an affiliated company ('ABN AMRO') and for the purposes of Directive 2004/39/EC has not been prepared in accordance with the legal and regulatory requirements designed to promote the independence of research. As such regulatory restrictions on ABN AMRO dealing in any financial instruments mentioned in this marketing communication at any time before it is distributed to you do not apply.

This marketing communication is for your private information only and does not constitute an analysis of all potentially material issues nor does it constitute an offer to buy or sell any investment. Prior to entering into any transaction with ABN AMRO, you should consider the relevance of the information contained herein to your decision given your own investment objectives, experience, financial and operational resources and any other relevant circumstances. Views expressed herein are not intended to be and should not be viewed as advice or as a recommendation. You should take independent advice on issues that are of concern to you.

Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this communication.

Any views or opinions expressed herein might conflict with investment research produced by ABN AMRO.

ABN AMRO and its affiliated companies may from time to time have long or short positions in, buy or sell (on a principal basis or otherwise), make markets in the securities or derivatives of, and provide or have provided, investment banking, commercial banking or other services to any company or issuer named herein.

Any price(s) or value(s) are provided as of the date or time indicated and no representation is made that any trade can be executed at these prices or values. In addition, ABN AMRO has no obligation to update any information contained herein.

This marketing communication is not intended for distribution to retail clients under any circumstances.

This presentation is not intended for distribution to, or use by any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation. In particular, this presentation must not be distributed to any person in the United States or to or for the account of any "US persons" as defined in Regulation S of the United States Securities Act of 1933, as amended.

CONFLICTS OF INTEREST/ DISCLOSURES

This report contains the views, opinions and recommendations of ABN AMRO (AA) strategists. Strategists routinely consult with AA sales and trading desk personnel regarding market information including, but not limited to, pricing, spread levels and trading activity of a specific security or financial instrument, sector or other asset class. AA is a primary dealer for the Dutch state and is a recognized dealer for the German state. To the extent that this report contains trade ideas based on macro views of economic market conditions or relative value, it may differ from the views and opinions of other departments of AA and its affiliates.

Trading desks may trade, or have traded, as principal on the basis of the research analyst(s) views and reports. In addition, strategists receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, trading desk and firm revenues and competitive factors. As a general matter, AA and/or its affiliates normally make a market and trade as principal in securities discussed in marketing communications.

ABN AMRO is authorised by De Nederlandsche Bank and regulated by the Financial Services Authority; regulated by the AFM for the conduct of business in the Netherlands and the Financial Services Authority for the conduct of UK business.

Copyright 2016 ABN AMRO. All rights reserved. This communication is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent.