

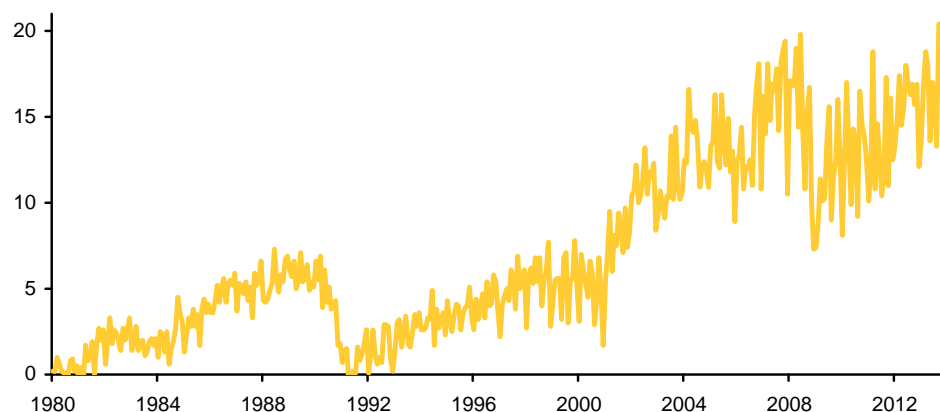
# FX Alpha

12 November 2013

## The fairy tale of German superiority

**The fairy tale of German superiority.** Time and again Germany's trade surplus is mentioned as the main reason behind other countries external imbalances. If the ECB would start verbal interventions to avoid the periphery being strangled by a strong euro German exporters would benefit unintended. Concerns that this would increase the cause of the periphery weakness are not justified.

CHART 1: **The German trade surplus on record high ...**  
Trade balance, EUR bn



Source: Commerzbank Research, Bloomberg LP

**G10 Highlights.** EUR bulls bear up. GBP – Inflation Report is key. Inflation data weighs on SEK. NOK collapsing.


**FX Metrics.** We use correlation forecasts to construct optimized carry trades. Based on this we outline a trade idea on carry trades.

**EM Highlights.** RUB – Lower growth looms. Credible CNB interventions? Risk of Polish inflation surprise. Economic data should point to a slowdown in Brazil's economy.

**FX Portfolio Recommendation.** We provide a series of thematic and tactical trade suggestions across G10 and EM.

**Technical Analysis.** GBP-USD – a potential top is developing.

**Event calendar.** The week of growth data: many countries will see the release of Q3 GDP data during the next days.



App versions now available, search 'Commerzbank Research' through the App store or Google play.

**CONTENTS**

- THE FAIRY TALE OF GERMAN SUPERIORITY** ..... 2
- G10 HIGHLIGHTS** ..... 3
- FX METRICS** ..... 4
- EM HIGHLIGHTS**..... 5
- FX PORTFOLIO RECOMMENDATION** ... 6
- TECHNICAL ANALYSIS**..... 8
- EVENT CALENDAR** ..... 9
- DISCLAIMER** ..... 10
- ADDITIONAL NOTES TO READERS IN THE FOLLOWING COUNTRIES:** ..... 10

# The fairy tale of German superiority

**Time and again Germany's trade surplus is mentioned as the main reason behind other countries external imbalances. If the ECB would start verbal interventions to avoid the periphery being strangled by a strong euro German exporters would benefit unintended. Concerns that this would increase the cause of the periphery weakness are not justified.**

Author:

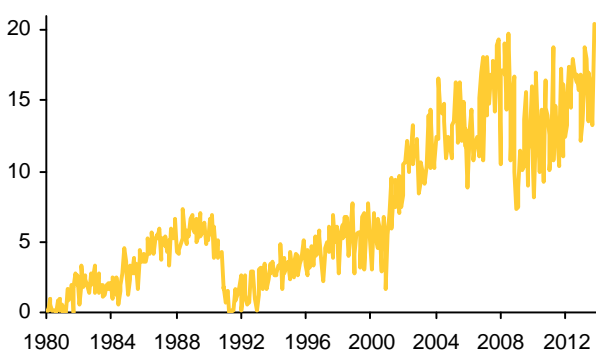
Lutz Karpowitz  
+49 69 136 42152  
lutz.karpowitz@commerzbank.com

Certainly since EUR-USD rose above 1.38 recently, verbal interventions on the part of the ECB could no longer be excluded. Some analysts even put the ECB's surprise rate cut down to its intention to weaken the euro. Even though the ECB justified the rate cut with falling inflation and underlined that the strong euro was not discussed, it makes sense not to allow a strong euro to put additional pressure on the countries of the periphery. The German trade balance surplus on the other hand will be seen in a different light by many. The German office of statistics recently published the highest monthly surplus since the data was first recorded. The strong euro not only does not seem to pose a problem for German companies, but this economic imbalance is now even being seen as the cause for the crisis in the periphery. Even the International Monetary Fund recently criticised Germany for the high surplus. Would a lower German trade surplus be the solution for the various European problems? Critics might say that I consider this view to be completely absurd because I am biased. However, there are two factors that are impossible to ignore. The first reason illustrates why the IMF's analysis is incorrect. The second reason illustrates the now worrying approach on the part of the IMF.

Re. 1: The reason for Germany's high external trade surplus is the high exports. However, it is not just Germany that benefits from the exports, but above all the importing countries. Theoretically there are three reasons for a foreign country to be purchasing goods in Germany. Either it gets the same goods of equal quality more cheaply in Germany or it receives higher quality at the same price (or a combination of the two). The third possibility is that the goods are not available anywhere else. In all three cases the importing country would be worse off without German exports. Either the importer would have had to pay more, would receive inferior quality or had to do without the goods completely. So it is completely obvious that the importing country would have suffered a loss of welfare. So German exports are not damaging for the recipient countries, but helpful!

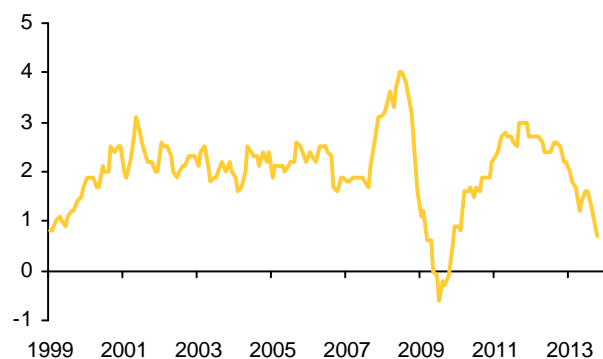
Re 2: Even if a reduction of German exports would also be negative for the importing countries, let us assume here that this was not the case. How exactly does the IMF imagine would exports be reduced? So as to reduce the German surplus German exports would have to be reduced by approx. EUR 15bn per month. But who would decide which of the currently EUR 90bn. per month will have to be banned in the future and for what reason? At closer inspection the IMF seems to indirectly demand a totalitarian economic order. At least with the existing economic setup the discussion about the German trade surplus is nothing but a chimera preventing euro zone leaders from getting in touch with the real problems.

**CHART 2: The German trade surplus on record high ...**  
Trade balance, EUR bn



Source: Commerzbank Research, Bloomberg

**CHART 3: Decreasing inflation sets ECB under pressure**  
Consumer price index, percentage change year ago



Source: Commerzbank Research, Bloomberg

# G10 Highlights

**EUR bulls bear up. GBP – Inflation Report is key. Inflation data weighs on SEK. NOK collapsing.**

Author:

**Antje Praefcke**  
+49 69 136 43834  
antje.praefcke@commerzbank.com

**Peter Kinsella**  
+44 20 7475 3959  
peter.kinsella@commerzbank.com

**EUR-USD:** The EUR bulls bear up, as can be noted by looking at the CFTC data. EUR longs were reduced well ahead of the ECB meeting, but continue to outweigh shorts. Short-term players who had held on to their EUR long positions after the ECB meeting seem to have been unimpressed by the strong US NFP data, firmly sticking to their longs. This means that this week's euro zone data is unlikely to weigh heavily on the euro in case of negative surprises. The better strategy currently seems not to play too strongly against the euro.

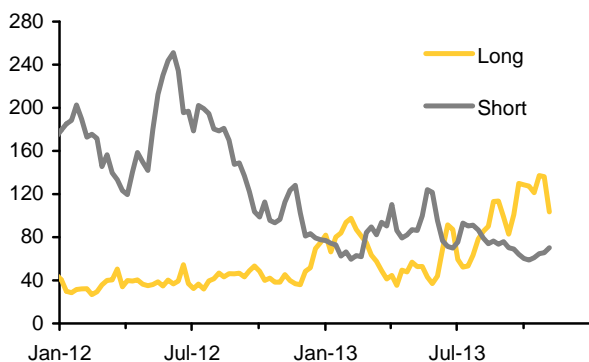
**GBP:** The key data release for the pound will come with tomorrow's Inflation Report. It is expected that growth forecasts may be upgraded to show that the 7% unemployment threshold might be reached sooner than the BoE expected. Rates markets have already priced in rate moves earlier than the MPC expects, so the main focus will be upon the tone of the statement and subsequent press conference. One thing that we can state with some degree of certainty is that irrespective of the Inflation Report, the case for a weakening pound is becoming thinner and thinner.

**SEK:** Swedish October CPI disappointed to the downside, falling back into negative territory (-0.1% yoy). The main reason behind October's decline was the drop in food and fuel prices. Since the Riksbank in October revised down its inflation forecast to 0.0% for 2013, this is not dramatic yet although below the Bank's projections. In any case inflation figures for November and December should better be positive again in order not to deviate too strongly from Riksbank's forecasts. There is no immediate need for the Riksbank to act on the rather disappointing October figures, but it will keep a close eye on the future development of prices. After all, the key rate is low because inflation is low, as Riksbank noted in its last statements. Since the market is sensitive after recent weak industrial production data, the reaction in EUR-SEK to push higher is understandable. However, in our view it is overstretched and we are sellers above 8.90.

**NOK:** The NOK took a bad hit, falling sharply since the end of last week. EUR-NOK touched new highs at 8.3250. The trigger was weak industrial production data last Thursday. The move was fuelled further on Friday by a strong US NFP report and statements from Prime Minister Erna Solberg to cut back the budget if the exchange rate was too strong in order to enhance competitiveness in the export sector. Now talk about an equity transaction weigh on the NOK. We stick to our view that fundamentally the move is not justified and prefer EUR-NOK falling back towards 8.00, but it is hard to go against the trend. Nevertheless, we think current levels are good selling levels in EUR-NOK. The next important domestic event is the release of Q3 GDP data next Tuesday. If the data disappoints, we may have to revise our view.

CHART 4: **Speculative EUR longs were reduced, but remain significant**

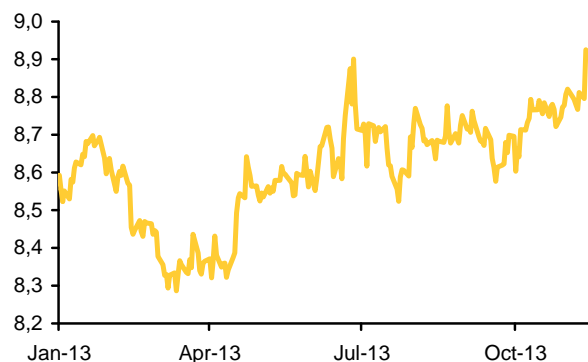
EUR positioning of non-commercial IMM trades, in thds contracts



Source: CFTC, Commerzbank Research

CHART 5: **EUR-SEK reaching new yearly highs**

EUR-SEK spot rate, daily data



Source: Commerzbank Research

# FX Metrics

## G10 carry trade indices

The portfolio weighting of a common carry trade strategy often simply corresponds to the ranking of the interest rate levels. Moreover the number of investment positions is usually fixed at the outset. However, such a strategy does not effectively exploit the benefits of diversifying across different investments. We therefore suggest a portfolio strategy that optimizes the diversification effect and significantly reduces the downside risk entailed in carry trades using “mean-variance” optimization.

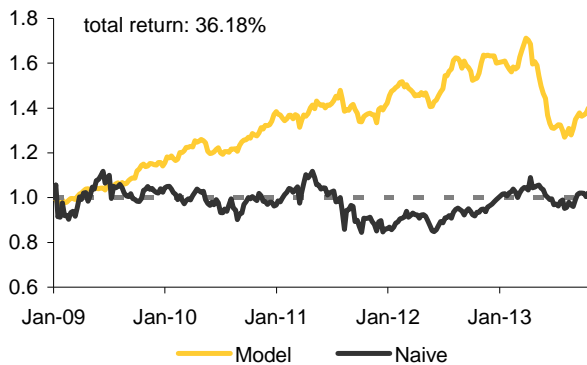
Below we illustrate an example of a mean-variance optimised carry trade portfolio on a selected currency basket with a pre-set risk level. For the optimization the variance has been chosen randomly and can be adjusted as required.

Author:

**Thu Lan Nguyen**  
 +49 69 136 82878  
 thulian.nguyen@commerzbank.com

**CHART 6: Historic performance of optimized Carry Trade Portfolio**

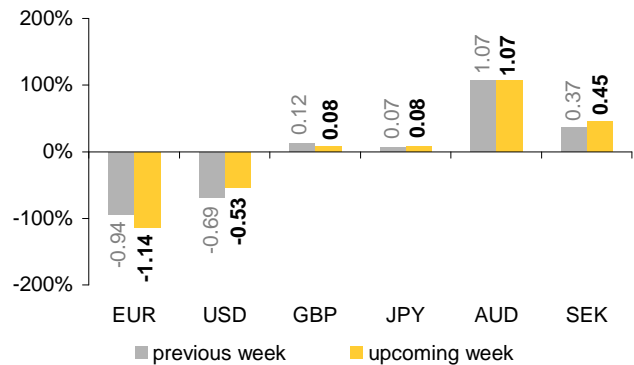
Cumulative return<sup>1</sup> since 6 January 2009, weekly rebalancing, target variance: 6%; Naïve strategy: B&H strategy, 3 high yielders long, 3 low yielders short; Currency basket: EUR (base), USD, GBP, JPY, AUD, SEK, CHF (excluded after Sept 2011)



Source: Commerzbank Research

**CHART 7: Portfolio weights for week 12 Nov to 19 Nov**

Currency basket: EUR (base), USD, GBP, JPY, AUD, SEK; weights in %



Source: Commerzbank Research

### Methodology

Our optimized strategy considers the correlation of the exchange rates in the portfolio weighing decision, i.e. the good old “mean-variance” optimisation according to Harry M. Markowitz. For the carry trade portfolio this means investing in carries in such a manner that an optimum relation between carry and the risk assumed is achieved. Needless to say, the more accurate the estimate of the correlation matrix the larger the advantage of the portfolio optimisation. For our portfolio we therefore use a trend model to forecast the relevant correlations on a weekly basis. In particular, the forecast is based on a linear trend over the weekly correlations of the last month. This trend is then extrapolated to the coming week to yield a forecast. Subsequently, the trend is rolled over on a weekly basis. This trend-based forecast therefore uses more timely input which ultimately increases forecast accuracy.

<sup>1</sup> Returns are based on Tuesdays' London opening

## EM Highlights

**RUB – Lower growth looms. Credible CNB interventions? Risk of Polish inflation surprise. Economic data should point to a slowdown in Brazil’s economy.**

Author:

**Thu Lan Nguyen**  
+49 69 136 82878  
thulan.nguyen@commerzbank.com

**You-Na Park**  
+49 69 136 42155  
you-na.park@commerzbank.com

**Peter Kinsella**  
+44 20 7475 3959  
peter.kinsella@commerzbank.com

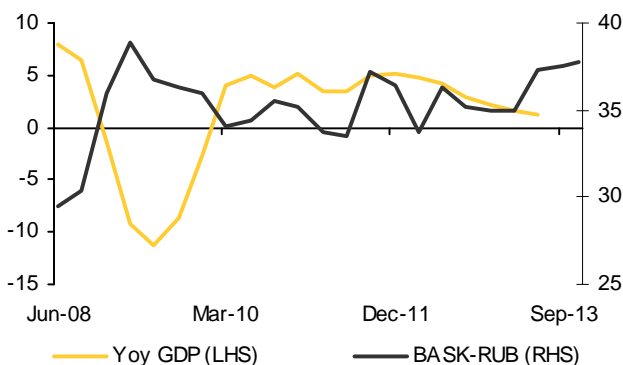
**RUB:** Last week the Russian government downgraded its growth forecasts through 2030 from 4.3% to an average of 2-2.5% per annum. Whilst these are longer term concerns, in the short term slowing growth will likely prove a burden for RUB. Already the ruble basket is trading towards the upper end of its recent range albeit that this is mainly to do with the upmove in US treasury yields. Nonetheless should growth print poorly in Q3 and Q4 of 2013, the chances of further rate cuts and more band widening should not be discounted. All told we remain of the view that the RUB basket will trade at higher levels in the coming quarters.

**CZK:** Due to the CNB’s interventions the CZK was the clear underperformer over the past week among EM currencies. In our view its interventions are similarly credible to the SNB’s as both central banks are able to print as much of their home currency as they want. However, there is one big difference. The SNB intervened against an overvalued CHF while the CZK is fairly valued. This means that the CNB will have to counter downward pressure on EUR-CZK much more frequently, particularly as the Czech economy starts to recover. The risk that EUR-CZK would collapse as soon as the CNB were to give up its interventions is thus extremely high. This is also reflected in the sharp decline of long term EUR-CZK Risk Reversals, i.e. while markets saw a much greater risk of a strong depreciation of the CZK before the CNB’s interventions, they now see a broadly balanced risk between depreciation and appreciation. Clearly, the market does not believe the CNB will be able to keep the CZK weak long term.

**PLN:** Following the weak CPI figures from the euro zone as well as Eastern European peers, there is now a high risk of a downside surprise of Polish CPI due on Thursday. However, the figure would have to surprise massively in order for rate cut speculation to flare up again. After all, the Polish central bank has made clear that it intends to keep its interest rates unchanged until the middle of next year. Moreover, we expect Q3 GDP growth, also due on Thursday, to pick up, leaving no doubt that the economy is recovering. The upside in EUR-PLN remains thus limited in our view.

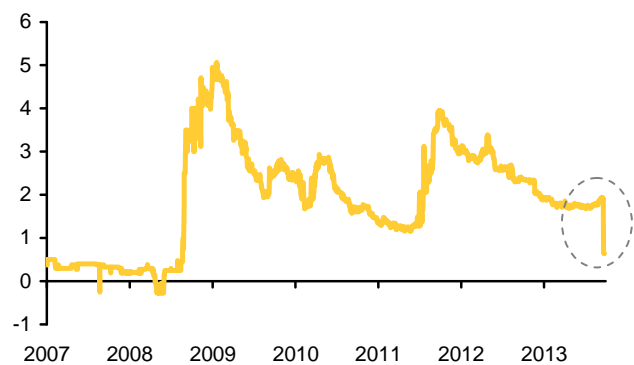
**BRL:** With the release of retail sales data and the economic activity indicator this week we will probably get some more evidence that the economy is slowing down after the strong upside surprise in Q2. For tomorrow’s retail sales release for September we expect growth of 4.7% yoy after a strong reading of 6.2% in August. The economic activity indicator for September which is due on Thursday should show a stronger reading compared to the previous month. We expect 2.9% yoy after 1.32%. However, this should be due to base effects after the indicator showed a negative reading in last September. Should the data surprise to the downside this will weigh on the BRL. However, we would be cautious to bet on a significant weaker BRL since the central bank might step up its intervention efforts to mitigate the downside pressure.

**CHART 8: Lower growth looms in Russia**  
GDP growth yoy in %, BASK-RUB spot



Sources: Bloomberg LP., Commerzbank Research

**CHART 9: EUR-CZK Risk Reversals free falling**  
EUR-CZK 1 year 25 Delta Risk Reversals, % annualized volatility



Source: Bloomberg

# FX portfolio recommendation

## Core trading views:

- Sell volatility in selective G10 crosses (EUR-CHF, EUR-USD and EUR-GBP)
- We retain low delta downside in USD-JPY as a tail hedge
- Short AUD via downside put spread

## Author:

**Peter Kinsella**  
+44 20 7475 3959  
peter.kinsella@commerzbank.com

## Tactical trading views:

- Enter GBP longs ahead of the BoE's Inflation Report on Wednesday

Last week we cut our long positions in low beta EMFX and this has turned out to be a prescient move. The combination of the ECB's rate cut along with further improvements in US economic data manifested in a broadly stronger USD and an increase in US yields, with 10 yr yields moving towards 2.75%. The subsequent weakening in EMFX was indiscriminating as low and high beta EMFX sold off.

The move lower in EUR-USD also contributed to an impressive performance in both short strangle positions with spot rates coming to the middle of recent ranges which more than offset the slight pickup in volatility. Even this slight pick up in volatility didn't last long as EUR-USD shorter dated at-the-money volatilities gave back half of their gains. As such we are content to hold the short volatility positions for the time being and will look to establish further short volatility positions when the timing is appropriate.

The put spread in AUD-USD suggested last week has already contributed to net portfolio performance as risky currencies underperformed both within the G10 and EM complex. Our downside put in USD-JPY at 94.00 underperformed given the up move in USD-JPY, however we retain this position as a tail hedge against a turn for the worse in equity market sentiment.

**TAB. 1: Global FX Strategy Spot Portfolio**

Trade date	Strategy	Size (€mln)	Entry level	Stop	% Gain / Loss	Take Profit	Open
15.10.2013	Short EUR-PLN	1	4.1850	4.22	0.25%	4.1750	T/P
21.10.2013	Long GBP-USD	1	1.6150	1.5960	-1.2%	1.6480	Stopped
29.10.2013	Long EUR-USD	1	1.3780	1.3680	-0.70%	1.3920	Stopped

Source: Bloomberg L.P., Commerzbank Research

**TAB. 1: Discretionary Option Trade Recommendations (base currency EUR)**

Trade date	Strategy	Expiry	Size (€mln)	Premium	Value	P&L	Open / Closed
04.02.2013	Short EURp-CHFc 1.2050	04.12.2013	1	+1.10%	0.0%	1.10%	Open
24.09.2013	Short EUR-USD strangle 1.38 / 1.25	23.12.2013	1 x 1	+0.61%	-0.13%	0.48%	Open
15.10.2013	Short EUR-GBP strangle 0.81 / 0.87	15.01.2013	1 x 1	+0.46%	-0.32%	0.14%	Open
22.10.2013	Long USD-JPY 94.00 put	21.01.2013	1	-0.42%	0.18%	-0.24%	Open
05.11.2013	Long AUD-USD put spread 0.92 / 0.88	04.02.2013	1 x 1	-0.50%	0.58%	0.08%	Open

Source: Bloomberg L.P., Commerzbank Research

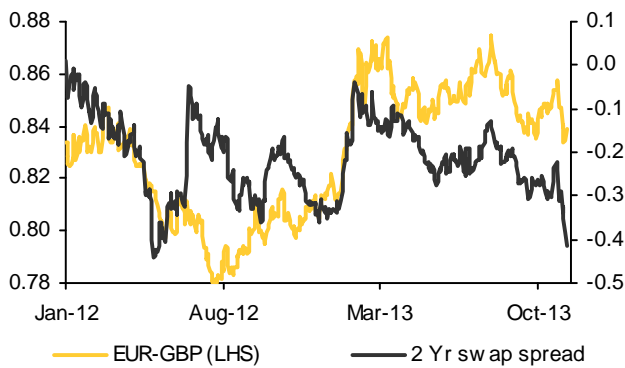
**Tactical trading views:**

- We recommend initiating long GBP positions ahead of the BoE's Inflation Report this Wednesday, where we expect the BoE to upgrade growth forecasts, which may essentially show that the 7% unemployment threshold will be reached sooner rather than later. Rates markets will likely move in favour of the pound and as such further upside in GBP-CHF is a distinct possibility. We would buy a dip with a view to taking profit around 1.4860. We maintain a tight stop at 1.4490.

**Portfolio Risk:**

- The portfolio is negatively correlated with volatility
- The portfolio is negatively correlated with the USD

**CHART 10: Swaps moving in favour of GBP**  
EUR-GBP spot, 2 yr swap spread in %



Sources: Commerzbank Research, Bloomberg LP

**CHART 11: G10 volatility remains muted**  
Aggregate G10 implied 3 month volatility in % vol



Sources: Commerzbank Research, Bloomberg LP



# Technical Analysis

## GBP-USD – a potential top is developing

We believe the pattern developing on the GBP-USD chart is a potential top. The market has failed twice recently at the 1.6255/60 region. The rally last week stopped dead at the 1.6122 61.8% retracement of the recent move down and focus this week is on the 1.5894 mid October low. A close below here is required in order to complete the potential top and offer a downside measured target to 1.5533.

This is a minimum downside target, however given the close proximity of the 200 day ma at 1.5495 this is likely to provoke some profit taking.

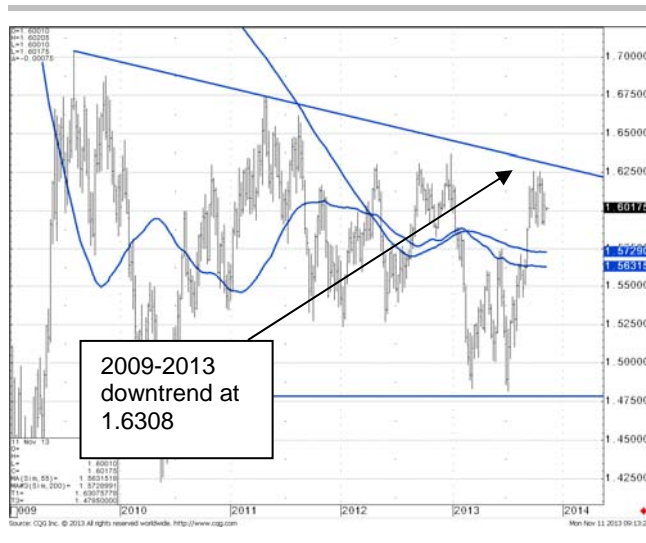
In addition to the potential top, the market has also recently backed away from its 2009-2013 downtrend, this is located at 1.6308 and reinforces overhead resistance. Our longer term bias is therefore negative and this suggests that longer term we should in fact see a slide sub 1.50 once more.

The euro has underperformed Sterling all year, but last week sold off into 10 month lows and towards the 0.8285 50% retracement of the move 2012-2013. We would expect to see some consolidation around here, but given that EUR-GBP has been contained in a down channel for the past 4 years, the longer term risk remains for euro to continue to underperform Sterling. Loss of 0.8285 on a closing basis will trigger another leg lower to 0.8160 then 0.7983, the 61.8% and 78.6% retracements of the same move.

Author:

**Karen Jones**  
 +44 20 7475 1425  
 Karen.jones@commerzbank.com

**CHART 12: GBP-USD – Weekly Chart**  
 Market has failed at the 2009-2013 downtrend



Source: CQG, Commerzbank Research

**CHART 13: GBP-USD – Daily Chart**  
 Potential double top will complete on a close below 1.5894.



Source: CQG, Commerzbank Research



## Event Calendar

Date	Time	Region	Release	Unit	Period	Survey	Prior
<b>13 November</b>	08:00	TRY	Current account balance	USD bn	SEP	-2,7	-2,0
	09:30	GBP	Unemployment rate	%	SEP	7,6	7,7
	10:00	EUR	Industrial production	mom	SEP	-0,3	1,0
				yoy	SEP	0,0	-2,1
	12:00	RUB	CPI weekly year to date	%	NOV 11	-	5,4
	12:00	USA	MBA Mortgage Applications	%	NOV 8	-	-7,00
	23:50	JPY	GDP	qoq	3Q P	1,7	3,8
<b>14 November</b>	04:30	JPY	Industrial production	mom	SEP F	-	1,5
				yoy	SEP F	-	5,4
	08:00	CZK	GDP	yoy	3Q A	-0,5	-1,3
	08:00	HUF	GDP	yoy	3Q P	0,8	0,5
	08:00	RON	GDP	yoy	3Q A	3,5	1,5
				mom	OCT	-0,2	0,1
		CHF	Producer and import prices	yoy	OCT	-0,2	0,0
					OCT	7,4	7,5
	08:30	SEK	Unemployment rate		OCT	7,4	7,5
	09:00	PLN	GDP	yoy	3Q P	1,6	0,8
	09:30	GBP	Retail sales	mom	OCT	0,0	0,6
				yoy	OCT	3,1	2,2
	10:00	EUR	GDP	qoq	3Q A	0,1	0,3
				yoy	3Q A	-0,3	-0,6
	11:00	RUB	FX and gold reserves	USD bn	NOV 8	-	513,9
	13:00	PLN	Consumer prices	mom	OCT	0,3	0,1
				yoy	OCT	1,0	1,0
	13:30	USA	Initial jobless claims	K	NOV 9	330	336
	13:30	USA	Trade balance	USD bn	SEP	-39,0	-38,8
	<b>15 November</b>	08:00	HUF	Industrial production	mom	SEP F	-
yoy					SEP F	-	3,1
08:00		CZK	Producer price index	mom	OCT	0,0	0,1
				yoy	OCT	0,4	0,6
10:00		EUR	Consumer prices	mom	OCT	-0,1	-0,1
				yoy	OCT F	0,7	0,7
		PLN	Core rate	yoy	OCT F	0,8	0,8
				mom	OCT	0,3	-0,1
13:30		USA	Import Prices	yoy	OCT	1,3	1,3
				mom	OCT	-0,5	0,2
				yoy	OCT	-1,7	-1,0
				13:30	USA	Empire State Index	
14:15	USA	Industrial production	mom	OCT	0,2	0,6	
14:15	USA	Capacity utilization	%	OCT	78,3	78,3	
<b>18 November</b>	00:01	GBP	Rightmove House Prices	mom	NOV	-	2,8
				yoy	NOV	-	3,8

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank Corporates & Markets is the investment banking division of Commerzbank, integrating research, debt, equities, interest rates and foreign exchange.

The author(s) of this report, certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The analyst(s) named on this report are not registered / qualified as research analysts with FINRA and are not subject to NASD Rule 2711.

**Disclaimer**

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgement of the author(s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favourable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

**Additional notes to readers in the following countries:**

**Germany:** Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany.

**United Kingdom:** This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Services Authority. Details on the extent of our regulation by the Financial Services Authority are available from us on request. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.

**United States:** Commerz Markets LLC ("Commerz Markets"): This document has been approved for distribution in the US under applicable US law by Commerz Markets, a wholly owned subsidiary of Commerzbank and a US registered broker-dealer. Any securities transaction by US persons must be effected with Commerz Markets. Under applicable US law; information regarding clients of Commerz Markets may be distributed to other companies within the Commerzbank group. This research report is intended for distribution in the United States solely to "institutional investors" and "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Commerz Markets is a member of FINRA and SIPC.

**Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

**European Economic Area:** Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA.

**Singapore:** This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor as defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 of the SFA.

**Hong Kong:** This document is furnished in Hong Kong by Commerzbank AG, Hong Kong Branch, and may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

**Japan:** Commerzbank AG, Tokyo Branch is responsible for the distribution of Research in Japan. Commerzbank AG, Tokyo Branch is regulated by the Japanese Financial Services Agency (FSA).

**Australia:** Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

© Commerzbank AG 2013. All rights reserved. Version 9.16

**Commerzbank Corporates & Markets**

Frankfurt	London	New York	Singapore Branch	Hong Kong Branch
Commerzbank AG	Commerzbank AG London Branch	Commerz Markets LLC	Commerzbank AG	Commerzbank AG
DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt Tel: + 49 69 136 21200	PO BOX 52715 30 Gresham Street London, EC2P 2XY Tel: + 44 207 623 8000	2 World Financial Center, 32nd floor New York, NY 10020-1050 Tel: + 1 212 703 4000	71 Robinson Road, #12-01 Singapore 068895 Tel: +65 631 10000	29/F, Two IFC 8 Finance Street Central Hong Kong Tel: +852 3988 0988