FX Alpha

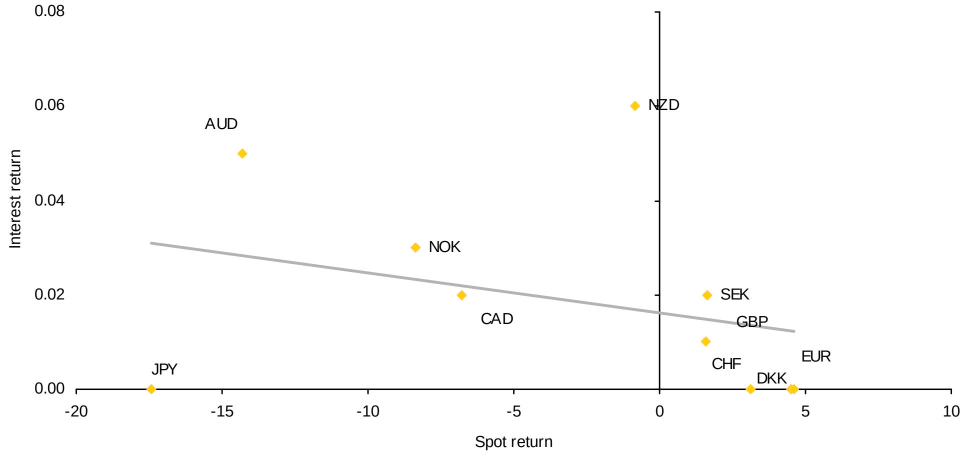
14 January 2014

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

USD: Will 2014 finally be the greenback's year?

USD: Will 2014 finally be the greenback's year? Tapering, increasing real yields and positioning all argue for a stronger USD in 2014.

CHART 1: **USD outperformed high yielders in 2013**
% Gain / Loss Vs. USD in 2013



Source: Commerzbank Research, Bloomberg LP

G10 Highlights. It's all about inflation in EUR-USD. Disinflationary growth is the key theme for GBP. Times remain difficult for the CAD. Norges Bank not overly concerned yet.

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

EM Highlights. Bank Rossii increases RUB flexibility. No support for the BRL no matter what the central bank does.

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

Technical Analysis. USD-JPY likely to correct lower short term.

Event calendar. US data in focus for further hints about Fed's stance.

CONTENTS

USD: Will 2014 finally be the greenback's year?

Tapering, increasing real yields and positioning all argue for a stronger USD in 2014.

Author:

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

Believe it or not 2013 was actually not a bad year as far as the USD was concerned. The USD finished 2013 having made significant gains against higher yielding currencies within the G10 complex whilst at the same time making gains against a majority of emerging market currencies. However, consensus trades such as long USD-CHF and short EUR-USD did not fare as expected.

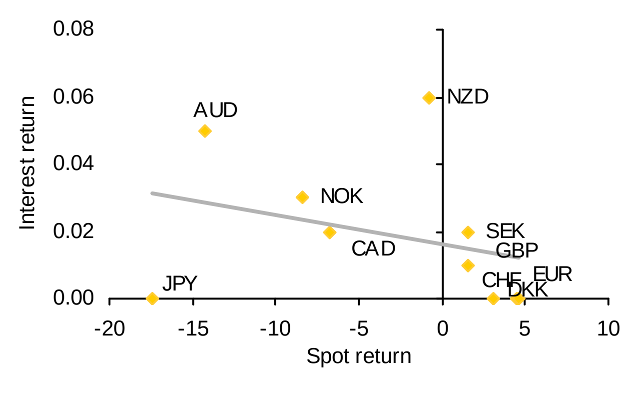
What investors should bear in mind is that when USD cycles start to turn the USD does not appreciate against all currencies at the same time. Rather the typical dynamic sees higher yielders lose ground before the USD moves against the other majors. Indeed this pattern seems to be broadly playing out so far (Chart 2). That being the case, there is ample scope for USD outperformance against the likes of EUR, CHF, JPY and CAD within the G10 complex over the course of 2014. The only question is what will be the catalyst?

Although Fed tapering gets most of the headlines investors should not become overly fixated with the tapering debate. Ultimately speaking, tapering means that Fed balance sheet expansion should be finished by Q3 of 2014. We are still a long way from talking about Fed balance sheet contraction. Rather, the catalyst will more likely be an improvement in US real yields along with the outperformance of US short term rates. The development of US real yields is key in the respect that we currently see a dynamic of disinflationary growth in the US, as CPI rates remain well anchored whilst US 10 year rates normalise towards higher levels. These are the perfect conditions for currency appreciation. Indeed this has been the case over the past year as the USD rallied in line with increasing real yields.

Given that the Fed forecasts its first rate hikes to take place in 2016, this means that by the end of Q1 of this year, markets will begin to price in Fed rate hikes. As such, investors can expect shorter term US 2-year rates to move higher. Typically EUR-USD trades in line with shorter term rate differentials and as such this is a strong argument in favour of USD outperformance against the single currency. This also precludes the ECB engaging in a more specific form of forward guidance in the coming months or even engaging in further non standard measures.

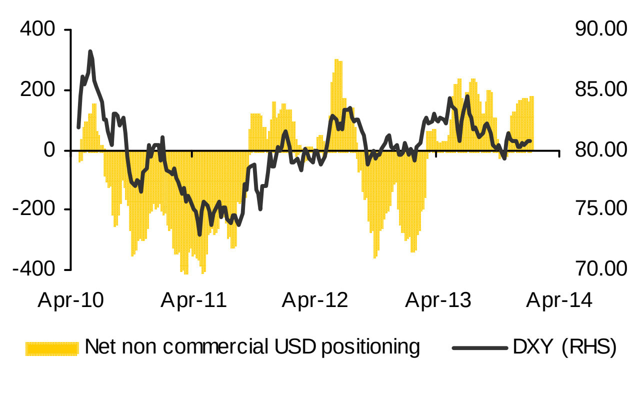
Markets have not been asleep to the above dynamics and steadily increased long USD positioning over the course of Q4 2013, despite the Fed refraining from tapering at its September meeting. As things stand long USD positions are by no means stretched which to us means that the USD should tend to benefit from positive US data releases as reactions are unlikely to be biased by lopsided positioning.

CHART 2: **USD outperformed high yielders in 2013**
% Gain / Loss Vs. USD in 2013



Source: Commerzbank Research, Bloomberg LP

CHART 3: **Investors increasingly buying the USD**
DXY, IMM net non commercial futures



Source: Commerzbank Research, CFTC. Bloomberg LP, ICE

G10 Highlights

It's all about inflation in EUR-USD. Disinflationary growth is the key theme for GBP. Times remain difficult for the CAD. Norges Bank not overly concerned yet.

Author:

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

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

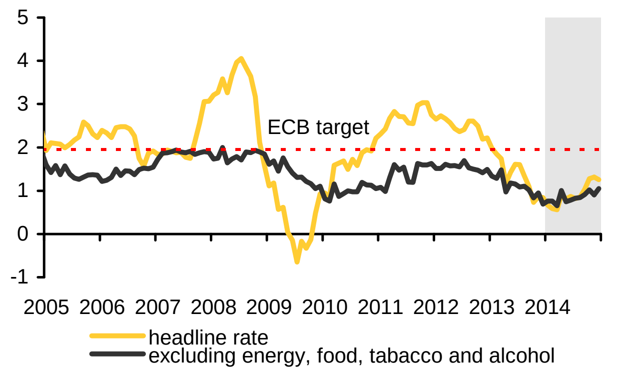
EUR-USD: It's all about inflation. The ECB cut the key rate in November due to low inflation rates. And inflation fell further in December, pushing ECB President Draghi to stress again quite clearly that the ECB will act if necessary. Further action – whatever it may look like – is possible in case inflation continues to undershoot the ECB's target significantly. But inflation is not only a problem for the ECB. The Fed minutes showed clearly that many FOMC members are concerned about low inflation rates, albeit the fact that a reduction of QE3 volumes was decided. Therefore, markets should not only monitor economic data in general but have a particularly close look at future CPI releases on both sides of the Atlantic. For EUR-USD this means continued choppy und undecided trading sessions until the market has a clearer view.

GBP: Today's CPI data confirmed once again that disinflationary growth is the key theme for the pound in the first few months of 2014. CPI printed at +2.0% yoy, slightly below expectations of 2.1%. Although this removes the threat of any inflation fighting early rate hike, it means that UK real yields continue to grind higher. Typically speaking this is a strong argument in favour of sterling appreciation and given better than expected growth metrics we are of the view that the pound should continue to appreciate.

CAD: Like for many other central banks, low inflation remains the main problem of the Bank of Canada. However, the BoC is well aware of the downside risks to inflation, having stressed back in the December statement that they appear to be greater. Hence, the drop to 0.9% yoy of the December rate shouldn't have been too much of a surprise to the BoC, but Governor Stephen Poloz again voiced concerns at the beginning of the new year. Therefore, the BoC will continue to sound cautious at its meeting next week, if not even more cautious, especially after the disappointing employment report in December. Times will remain difficult for the CAD and USD-CAD is likely to head for the psychological 1.10-level.

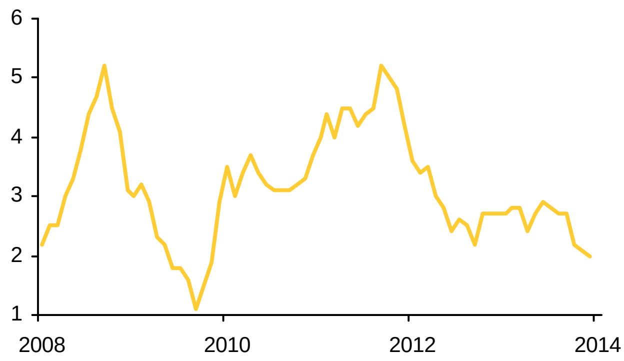
NOK: Calm down everyone! Inflation slightly below market expectations does not mean that Norges Bank will jump to any conclusions and cut rates right away - even if markets seem to be in that frame of mind at the moment. At an annual rate of 2.0% in December (2.3% had been expected) inflation remains more or less within the framework of Norges Bank's expectations of 2.25% for 2013. Following the downward revision in December it now expects only 2.0% for 2014. That means that any future inflation data would have to ease notably below 2.0% for Norges Bank to really get nervous. There is no important data due for publication this week with the exception of the trade balance tomorrow. That means that there will be few domestic drivers in NOK to provide upside momentum. While the market remains that sceptical towards NOK the weak side in EUR-NOK remains the upper end; good resistance is located in the area of 8.4450 though.

CHART 4: **ECB worried about low inflation**
Harmonised CPI, yoy percentage change, grey shades forecasts



Source: Commerzbank Research, Eurostat

CHART 5: **UK CPI continues to fall**
UK CPI yoy in %



Source:Commerzbank Research

FX Metrics

G10 carry trade indices

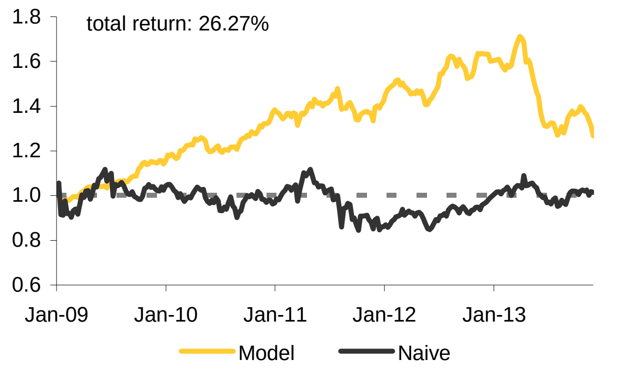
Author:

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

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.

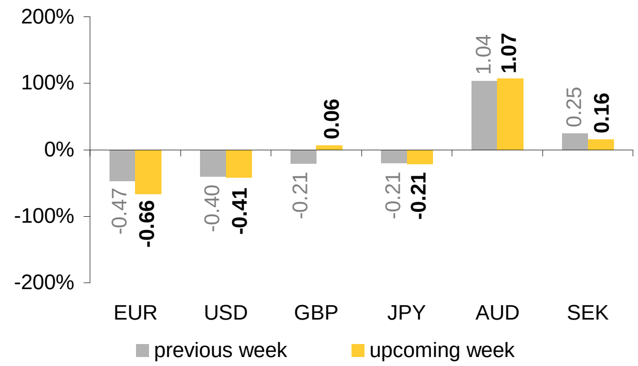
Below we illustrate an example of a mean-variance optimised carry trade portfolio on a selected currency basket with a pre-set risk level. For the optimization the variance has been chosen randomly and can be adjusted as required.

CHART 6: **Historic performance of optimized Carry Trade Portfolio**
Cumulative return[1] 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 14 Jan to 21 Jan**
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.

[1] Returns are based on Tuesdays' London opening

EM Highlights

Bank Rossii increases RUB flexibility. No support for the BRL no matter what the central bank does.

Author:

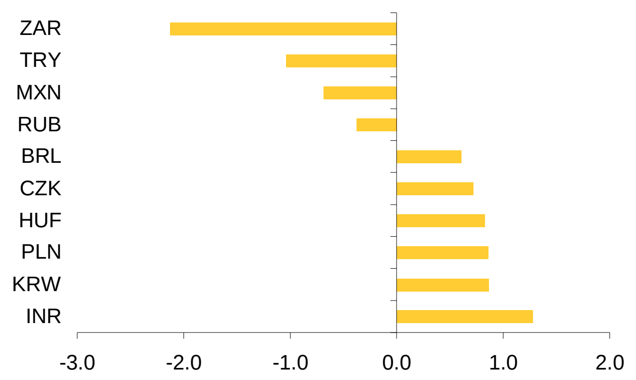
Thu Lan Nguyen
+49 69 136 82878
thulan.nguyen@commerzbank.com

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

RUB: The Russian central bank announced yesterday that it would further increase the flexibility of the RUB exchange rates. In reality that means that it will completely cease its daily USD 60m target interventions now. Should the spot rate get close to the limits it will move the trading range for Bask-RUB even earlier than it has done so far. Since early last year it has moved the range upwards by 1.5 RUB to now 33.15-40.15. This degree of increased flexibility is open to debate though. Bank Rossii is increasingly allowing the market to determine the direction of the RUB exchange rates, but it has not increased the width of the range in which Bask-RUB can move since the summer of 2012. It still holds true: Bank Rossii is moving towards a free exchange rate, but there is still a way to go before it reaches this aim.

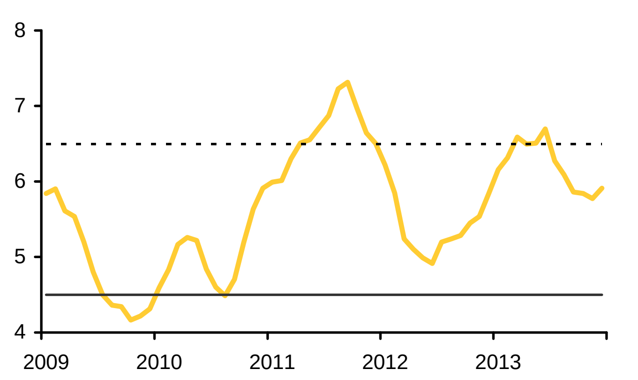
BRL: Following the publication of the inflation data last Friday the rate decision on Wednesday has become even more exciting. In December prices rose by 0.9% mom while a rise of 0.8% had been expected. The yoy rate reached a level of 5.91%. The downtrend of the indicator over the past few months has thus come to a halt and once again the central bank very clearly missed its inflation target of 4.5% last year. Since May 2013 the central bank has been raising interest rates in 50bp steps. There is speculation that the central bank might reduce the speed to 25bp, but there are still a number of analysts (us included) who foresee another 50bp increase. The inflation data is likely to confirm these analysts in their view. The weak real is also likely to cause a headache for the central bank. None of the two possible decisions is likely to be positive for the real. A 25bp rate hike is not good news for the currency in view of the continued price pressure. A 50bp hike is likely to increase concerns that the economy will continue to struggle gathering speed this year – with private consumption so far preventing the worst. The BRL remains stricken, in particular if there are positive surprises as regards US data.

CHART 8: **Mixed picture on EM front**
gains/losses against USD since 7th January 2014



Source: Commerzbank Research

CHART 9: **Brazil's inflation downtrend came to a halt**
CPI yoy in percent, inflation target and upper end of the corridor



Source: Banco Central do Brasil

FX portfolio recommendation

Author:

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

Core trading views:

- Short volatility in selected crosses (EUR-GBP, EUR-CHF)
- Establish long USD positions via basket trades
- We retain low delta downside in USD-JPY as a tail hedge

Tactical trading views:

- We close the AUD-USD put spread position for a total profit of 0.85%
- We initiate a long USD basket trade

We close the AUD-USD put spread position for a total profit of 0.85%, which is close to double the initial premium that we paid for the position. Since the beginning of the year AUD has performed reasonably well and has broken key levels against other crosses, notably EUR-AUD. Following last week's rather disappointing US NFP print higher yielding currencies in G10 rallied against the USD, hence we are content to cut our exposures for the moment and will look to re-enter at better levels in the coming weeks and months.

The short volatility positions in EUR-GBP and EUR-CHF in particular continue to perform well. As the EUR-GBP position will expire in the coming days, we will think about initiating long GBP positions. EUR-CHF rallied in line with peripheral yield developments and we are content to maintain the short volatility position for the moment. Indeed we may well augment the position with a long EUR-CHF cash trade.

The only underperformer within the portfolio was the USD-JPY 94.00 put, however by this stage it is close to expiry and as such offers no value from selling the position. As such we will hold the position until expiry in just over a week's time.

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	-1.20%	1.6480	Stopped
29.10.2013	Long EUR-USD	1	1.3780	1.3680	-0.70%	1.3920	Stopped
12.11.2013	Long GBP-CHF	1	1.4620	1.4650	**1.70%**	1.4860	T/P

Source: Commerzbank Research, Bloomberg LP

TAB. 2: **Discretionary Option Trade Recommendations (base currency EUR)**

Trade date	Strategy	Expiry	Size (€ mln)	Premium	Value	P&L	Open / Closed
15.10.2013	Short EUR-GBP strangle 0.81 / 0.87	15.01.2013	1 x 1	+0.47%	0.00%	0.47%	Open
22.10.2013	Long USD-JPY 94.00 put	21.01.2013	1	-0.42%	0.00%	-0.42%	Open
05.11.2013	Long AUD-USD put spread 0.92 / 0.88	04.02.2013	1 x 1	-0.47%	1.32%	0.85%	Closed
26.11.2013	Short EUR-CHF 1.22 put	25.02.2013	1	+0.60%	0.11%	0.49%	Open

Source: Commerzbank Research, Bloomberg LP

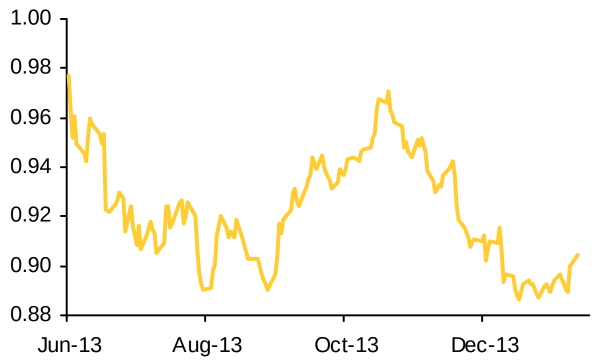
Tactical trading views:

- We recommend clients to establish long USD positions equally weighted against a basket of currencies: EUR, CHF and CAD. The rationale for the trade rests on 3 key dynamics. The first being the notable increase in US real yields, the second being shorter term rate movements and the last being Fed tapering over the course of the year. As stated above, the USD does not tend to move against all currencies at the same time and as last year the USD started moving against higher yielding currencies, this year will be the turn of lower yielders. We recommend to go long looking for an 8% appreciation. We maintain a stop of some 3% in overall basket performance.

Portfolio Risk:

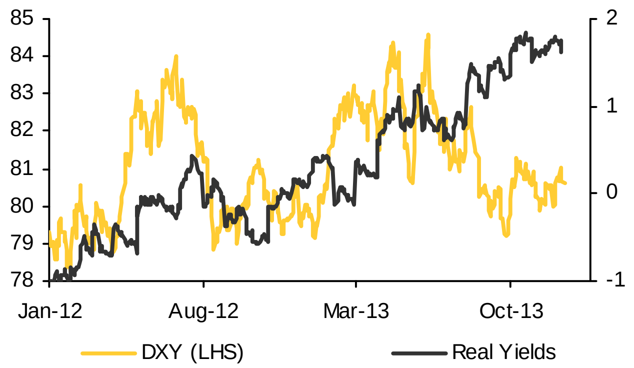
- The portfolio is negatively correlated with volatility
- The portfolio is positively correlated with the USD

CHART 10: **AUD rallies since beginning of 2014**
AUD-USD spot



Sources: Commerzbank Research, Bloomberg LP

CHART 11: **Dollar to strengthen with increasing real yield**
DXY, US Real Yield in %



Sources: Commerzbank Research, Bloomberg LP, ICE

Technical Analysis

USD-JPY likely to correct lower short term

Author:

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

There are a number of signals on the daily and weekly chart for USD-JPY, which suggest that the market has temporarily topped at 105.45. Firstly the market virtually met the 105.49 61.8% retracement of the move down from the 2007 peak, this was our medium term upside target and we are not surprised to see the market hold here on the initial test. It is also worth noting that directly above here lays the 1998-2014 down trend at 106.65. The recent high has been accompanied by a very large divergence of both the daily and weekly RSI's and we have a 13 count on the Tom de Mark study on the daily chart and a TD perfection set up on both the weekly and monthly charts. All of these factors suggest that the market has topped for now and that we will see a deeper retracement.

The Elliott wave count is suggesting that we will see a deeper retracement to 102.05, the 38.2% retracement of the move up from October. Although we would allow for the possibility of an extension to the 101.54 July 2013 high; prior to the resumption of its longer term up move. We suspect between 101.54-100.00 the market will stabilise and resume its longer term up-move.

We will only consider that the risk of this correction lower has been negated should the market manage to regain both 105.49 and the 106.65 downtrend. This would introduce scope longer term to 108.86 and then 111.50, the 50% retracement of the move down from 1998.

CHART 12: **USD-JPY – Monthly chart**
has failed at the Fibo resistance at 105.49

Source: CQG, Commerzbank Research

CHART 13: **USD-JPY – Weekly chart**
Weekly RSI has diverged

Source: CQG, Commerzbank Research

Event Calendar

Date	Time	Region	Release	Unit	Period	Survey	Prior
14 January	13:30	USA	Import Prices	mom	DEC	0,4	-0,6
				yoy	DEC	-0,6	-1,5
	13:30	USA	Retail sales	mom	DEC	0,1	0,7
			less vehicles	mom	DEC	0,4	0,4
15 January	08:00	CZK	Producer price index	mom	DEC	0,4	0,8
				yoy	DEC	1,3	0,7
	08:00	HUF	Consumer prices	mom	DEC	-0,5	-0,1
				yoy	DEC	0,4	0,9
	08:15	CHF	Retail sales	yoy	NOV	1,7	1,2
	09:00	ZAR	Investec PMI		DEC	52,5	52,4
	12:00	RUB	CPI weekly year to date	%	JAN 13	-	6,3
	12:00	USA	MBA Mortgage Applications	%	JAN 10	-	2,60
		PLN	Consumer prices	mom	DEC	0,1	-0,2
				yoy	DEC	0,7	0,6
	13:30	USA	Producer price index	mom	DEC	0,4	-0,1
				yoy	DEC	1,1	0,7
			core rate	mom	DEC	0,1	0,1
				yoy	DEC	1,3	1,3
	13:30	USA	Empire State Index		JAN	3,50	0,98
16 January	00:01	GBP	RICS housing market index		DEC	60,0	58,0
	00:30	AUD	Employment change	K	DEC	10,0	21,0
			Unemployment rate	%	DEC	5,8	5,8
	07:00	GER	Consumer prices	mom	DEC F	0,4	0,4
				yoy	DEC F	1,4	1,4
	10:00	EUR	Consumer prices	mom	DEC	0,3	0,3
				yoy	DEC F	0,8	0,8
			core rate	yoy	DEC F	0,7	0,7
	11:00	RUB	FX and gold reserves	USD bn	JAN 3	-	511,6
	13:00	PLN	Core rate	mom	DEC	0,0	-0,2
				yoy	DEC	1,1	1,1
		USA	Initial jobless claims	K	JAN 11	328	330
	13:30	USA	Consumer prices	mom	DEC	0,3	0,0
				yoy	DEC	1,5	1,2
			core rate	mom	DEC	0,1	0,2
				yoy	DEC	1,7	1,7
	14:00	USA	Tic data	USD bn	NOV	16,8	35,4
	15:00	USA	Philadelphia Fed Index		JAN	8,7	6,4
	15:00	USA	NAHB Housing Market Index		JAN	58	58
17 January	08:15	CHF	Producer and import prices	mom	DEC	0,1	-0,1
				yoy	DEC	-0,4	-0,4
	09:30	GBP	Retail sales	mom	DEC	0,3	0,3
				yoy	DEC	2,5	2,0
	12:59	RON	Current account balance	EUR mn	NOV	-	-955
	13:00	PLN	Current account balance	yoy	NOV	-1104	-466
	13:30	USA	Housing Starts	K	DEC	990	1091
			Housing Permits	K	DEC	1015	1017
	14:15	USA	Industrial production	mom	DEC	0,3	1,1
	14:15	USA	Capacity utilization	%	DEC	79,1	79,0
	14:55	USA	Michigan consumer confidence		JAN P	83,5	82,5
20 January	00:01	GBP	Rightmove House Prices	mom	JAN	-	-1,9
				yoy	JAN	-	5,4
	04:30	JPY	Industrial production	mom	NOV F	0,4	0,1
				yoy	NOV F	5,4	5,0
	07:00	GER	Producer price index	mom	DEC	-	-0,1

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