

# FX Top Trades Update

## Take profit on RUB/CZK with readiness to re-enter

*As one of our FX Top Trades published on 5 December 2012, we suggested entering a RUB/CZK spot at 0.6246 and exiting at 0.6565. The rationales for the trade were intervention risks for the CZK loom, a fairly strong Russian economy, a hawkish Bank Rossii and a commencing global recovery. However, we have decided to take profit on our RUB/CZK trade, reflecting increased uncertainty regarding commodity prices. However, we would look to possibly re-enter if the oil price once again stabilises. Overall, we continue to see the Czech koruna softening and as such we still view it as an interesting funding currency for carry trades in the EM universe.*

When the trade was entered in December 2012, we expected RUB/CZK to climb over 0.6500 over a period of two to four months. The Czech central bank (CNB) exhausted standard monetary policy tools after it cut the key policy rate to a technical zero (0.05%) in November 2012. Russia's central bank, Bank Rossii, has been set to closely examine consumer price inflation, aiming for a target within the 5-6% corridor. Our forecast that CPI would easily climb over 7% y/y in Q1 13 was realised when price increases were introduced in January 2013 and this resulted in Bank Rossii remaining hawkish. Tight monetary policy in Q1 13 was RUB positive. Together with the strong current account, the RUB longs looked attractive. As we expected, the seasonality effect pushed the USD/RUB below 30.00 exactly in late January-February 2013. Thus, Bank Rossii intervened to keep the RUB a bit weaker. Given the unexpected Cyprus deal in March, we saw the pair climbing to 0.6493 on a weaker EUR within our maturity recommendation, letting the profit to rise almost to 4%.

However, we were surprised by the decline in the oil price on a weaker-than-expected global performance as Chinese macro numbers were not good enough. The uncertainty of the Cyprus deal pushed investors out of the RUB assets, which strongly weighed on the Russian currency. Russian economic growth continued to slow in early 2013, taking January-February 2013 GDP growth to 0.9% y/y. The seasonally strong current account effect is fading as we go into Q2 13.

Going forward, we look to possibly re-enter if the oil price once again stabilises. Overall, we continue to see the Czech koruna softening and as such we still find it to be an interesting funding currency for carry trades in the EM universe.

Please see the table on the following page for an update on the performance of the 2013 FX Top Trades.

### Key points

- Take profit on RUB/CZK.
- We have closed the RUB/CZK trade with a total return of 3.33% (FX return: 0.95%, carry: 2.38%) (spot. ref.: 0.6305).

#### Chief analyst

Lars Christensen  
+45 45128530  
larch@danskebank.dk

#### Analyst

Stanislava Pravdova  
+45 45128071  
spra@danskebank.dk

#### Economist

Vladimir Miklashevsky  
+358 10 546 7522  
vladimir.miklashevsky@danskebank.com

# FX Top Trade 2013 overview

## Closed FX Top Trades

Closed FX Top Trades							
#	Type	Trade	Opened	Level	Closed	Level	P/L
1	Option	Bearish 6M JPY/SEK risk reversal	05/12/12	8.02	11/01/13	7.320	6.44%
2	Spot	Sell GBP/NOK	05/12/12	9.04	16/01/13	8.962	1.00%
3	Spot	Buy EUR/CHF	05/12/12	1.2145	18/01/13	1.250	2.89%
4	Spot	Sell USD/CAD	05/12/12	0.9914	19/01/13	1.015	-2.16%
5	Spot	Sell USD/SGD	05/12/12	1.2183	11/03/13	1.250	-2.70%
6	Option	USD/JPY option strategy	05/12/12	82.20	22/03/13	94.850	11.45%
7	Spot	Buy RUB/CZK	05/12/12	0.6246	15/04/13	0.6305	3.33%

Source: Bloomberg, Danske Bank Markets

## Open FX Top Trades

Open FX Top Trades			
Type	Trade	Idea	Target & P/L*
Option	EUR/USD butterfly	Enter 6M EUR/USD 1.30-1.36-1.42 butterfly at an indicative cost of USD 176 pips	Opened 05/12/2012
			Start 1.31
			Target/Stop
			Now 1.31
			P/L 0.02%
Forward	Sell USD/CNH 12 Forward	Sell 12M USD/CNH @ 6.3550. We set a 3.2% profit target and will close the trade if we incur a 2.5% mark-to-market loss on the trade. Spot-ref: 6.2120	Opened 05/12/2012
			Start 6.36
			Target/Stop 3.2% / 2.5%
			Now 6.27
			P/L 1.36%
Spot	Long TRY, MXN, HUF vs. Short USD	Buy equally weighted carry basket (Long TRY, MXN, HUF vs. Short USD) spot at index 100 for a 110 target; stop at 95. This basket yields an indicative carry of close to 4%.	Opened 05/12/2012
			Start 100.0
			Target/Stop 110 / 95
			Now 100.744
			P/L 2.21%

Source: Bloomberg, Danske Bank Markets

## FX Top Trades 2013

FX Top Trades 2013				
	#	Cum Return	Avg Return	Avg Days Open
Profitable	8	28.7%	3.6%	94 days
Loss-Making	2	-4.9%	-2.4%	70 days
All Trades	10	23.8%	2.4%	89 days

Source: Bloomberg, Danske Bank Markets

## Disclosures

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of the regulation by the Financial Services Authority are available from Danske Bank upon request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Date of first publication

See the front page of this research report for the first date of publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

### Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.