

Maximus Capital

**CURRENCY MARKET ANALYTICAL
RESEARCH**

25-June-2013



In the period of 11-25 June, many fundamental reasons and factors have contributed to increased volatility in financial markets. Lately there has been a sharp decline in foreign exchange rates of the following major developing countries - Russia, Turkey, India, Brazil and the South African Republic. Besides, the World Bank lowered its forecast for global growth in 2013 from 2.4% to 2.2% due to the slow recovery of the Euro area and the economic slowdown in China and some other countries. Recent publications of the World Bank warn that the early finish of QE may seriously make the markets react, which may affect the investment climate negatively. The International Monetary Fund (IMF), not the last organisation, whose comments are taken into account, too, holds a similar view, and states that the FOMC should follow the asset purchase programme until the end of the year in order to stimulate the recovery of the U.S. economy, and help counter the budget sequestration. Correction continued on the Japanese yen, which has strengthened over the last three weeks by 9% against the U.S. dollar. In all likelihood, people will soon start talking about the need to infuse big money into the Japanese economy. The data on the U.S. economy have come out better than expected - retail sales have risen and the number of applications for unemployment benefits has dropped.

Unemployment in the UK has stabilized at quite a satisfactory level of 4.5%. In May, retail sales rose more than expected by economists. This suggests that the economic recovery is under way, although consumers remain under pressure as inflation outstrips growth. The Governor of the Bank of England Mervyn King emphasized the fragility of the recovery and the need for additional stimulation. Five British banks must submit plans to raise 13.7 billion pounds of additional capital by the end of 2013, in order to withstand possible loan losses, fines and various risks, - said the Bank of England.



There came mixed news about Europe. The President of the ECB Mario Draghi said that the central bank is ready, if necessary, to apply the new non-standard monetary policy instruments to maintain stability in the Euro area. The finance ministers of the EU countries have adopted provisions, including rules for the provision of funds for the troubled banks from the European Stability Mechanism (ESM). According to them, the creditors on the verge of collapse will be granted no more than 60 billion Euros, but if necessary, the limit can be increased. The ESM was created to help troubled EU states, but over time the list of its powers expanded. The fund's volume reaches 500 billion Euros.

Now there are more and more talks of a possible reduction of QE3 and the consequences of this step for the world markets. The main question is whether the bond bubble inflated and the reduction of the third programme of quantitative easing will make it explode. But the U.S. FOMC, as expected, did not change its policy. The comments were much more interesting. "The Federal Reserve System may reduce its purchases of bonds at the end of this year and complete them in about the middle of 2014." Markets regarded these comments as negative for virtually all assets and positive for dollar. The FOMC slightly worsened the forecast for the growth rate of U.S. GDP in 2013, and improved the forecast for the labour market to 7.2-7.3%. Thus the increase in interest rates is not expected in the current year, but the reduction of QE3 is, and the inflation forecast went down as well.

So, what supported main trends of European currencies? What also contributed to the beginning of the rapid tendencies and drastic changes in the interest of buyers and active sales of sellers? Let's take a look at the volume of currency futures contracts.

6E (SEP13) – EUR / USD (CME)

Flat trend range of Euro around the level of 1.3345 initially characterized the formation of a new level of contract 6E SEP13. There even took place small purchases on 18th June to the level of 1.3420. But then, on 19th June, reducing Euro below 1.3345 led to strong sales of this currency to the level 1.3090 6EM13.

all prices L M C

Volume Limit	Full Contract	Time Interval	window	Apply
Ticker 6E	Date 14/06/2013 to 24/06/2013			
Contract SEP13	Time 00:00 to 23:59	Price Scale 0.0001		

#	Price	Trades	Volume
1	1.3345	11302	18867
2	1.3343	10704	17924
3	1.3346	10888	17450
4	1.3344	10234	16283
5	1.3342	10092	16243
6	1.3351	9696	15789
7	1.3347	9311	15366
8	1.3349	9424	15329
9	1.335	9489	15278
10	1.3341	9360	15276

6E(SEP13) – EUR/USD(CME) ↵

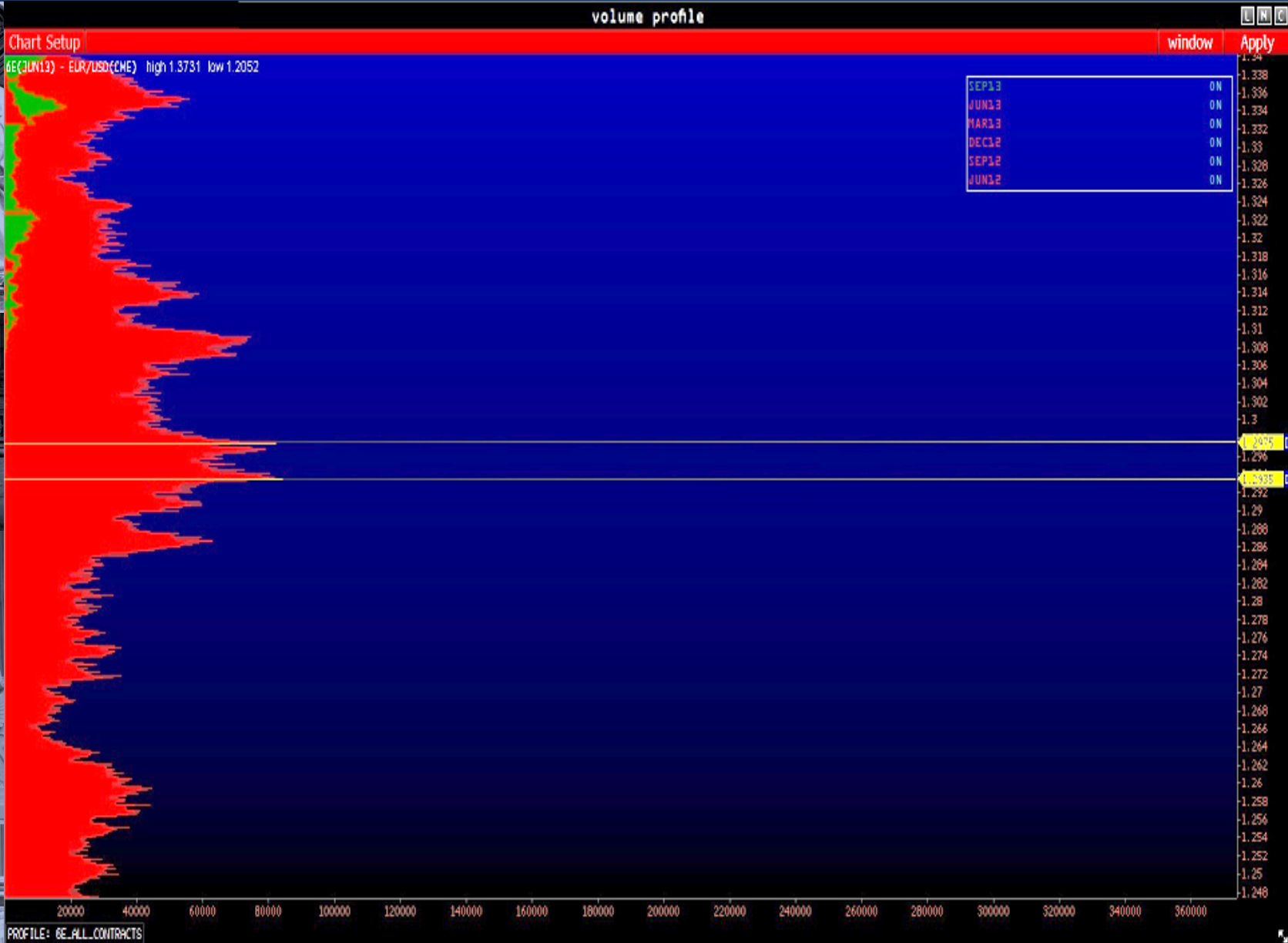
FORECAST

The key rates for Euro are the levels of formation of the maximum amount of the last 2 days 1.3221 and 1.3090 6EM13 historically, and the total volume range of 1.2935-1,2975 for the previous 18 months.



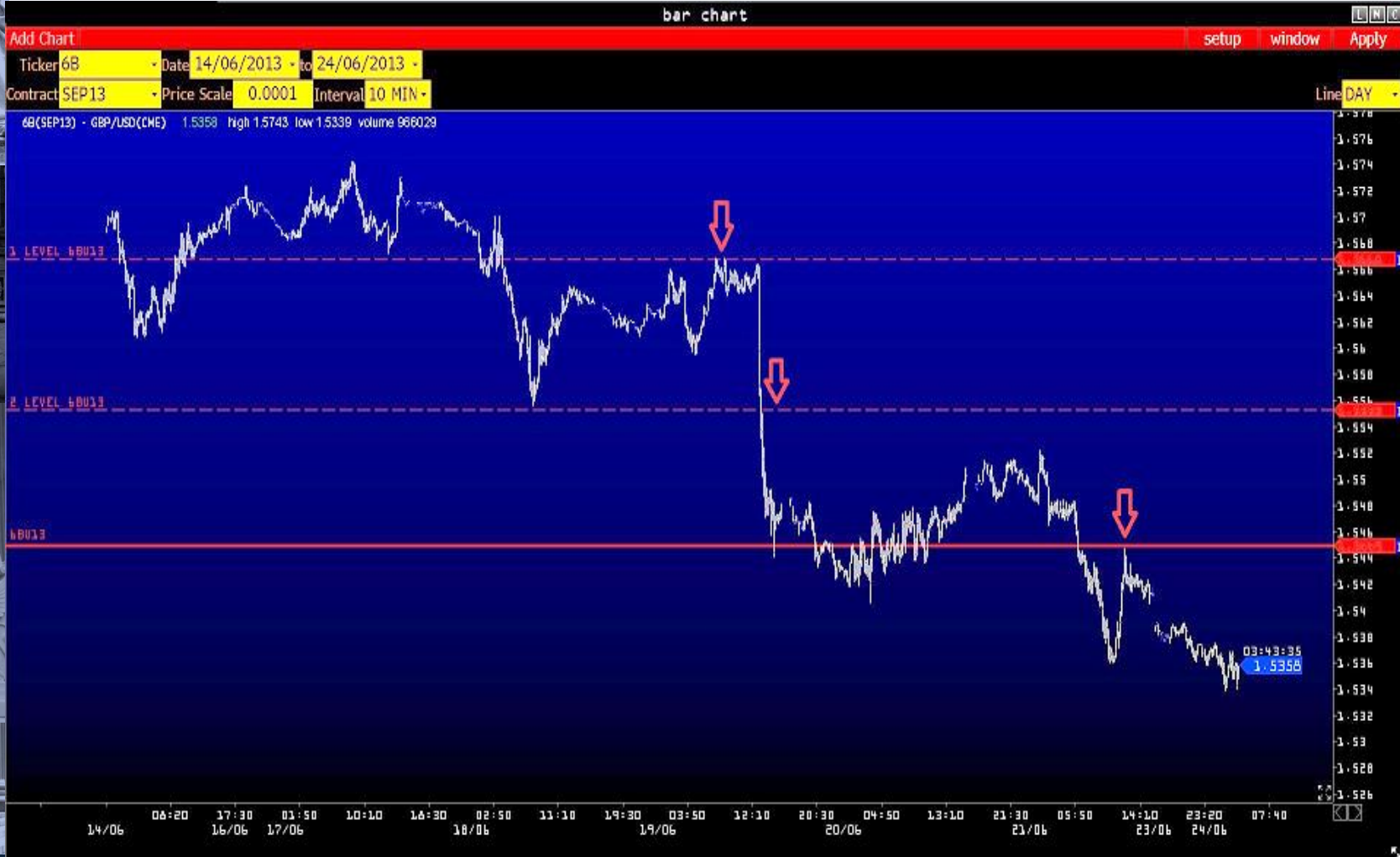
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6B (SEP13) – GBP / USD (CME)

Key sales of the British pound held from 1st 1.5668, 2nd 1.5553 and the contract volume level 1.5449, which confirms the downward trend of this currency exchange rate.



FORECAST

The key price for the British pound is the level of formation of the maximum amount of the last 2 weeks of 1.5449, which are also the level of the contract and the price level of the maximum volume of the previous week.

all prices L M C

Volume Limit Full Contract Time Interval window Apply

Ticker 6B Date 14/06/2013 to 24/06/2013

Contract SEP13 Time 00:00 to 23:59 Price Scale 0.0001

#	Price	Trades	Volume
1	1.5449	3664	5952
2	1.5472	3503	5783
3	1.5468	3165	5597
4	1.5469	3161	5596
5	1.545	3055	5470
6	1.5474	3199	5421
7	1.5442	3252	5405
8	1.547	3122	5368
9	1.5471	3171	5335
10	1.5446	3055	5315

6B(SEP13) - GBP/USD(CME)

volume search L M C

Volume Limit window Apply

Ticker 6B Date 16/06/2013 to 21/06/2013 Bar Size 0 to 0

Contract SEP13 Time 00:00 to 23:59 Interval 1440 M Price Scale 0.0001

#	Time	Price	Max Volume	Total Volume	Bar Size	Trades
1	20/06 00:00	1.5449	5421	172000	111	98912
2	19/06 00:00	1.5653	3435	127277	246	78262
3	17/06 00:00	1.5705	2429	78700	72	50946
4	21/06 00:00	1.5421	2341	117969	164	69154
5	18/06 00:00	1.562	2336	103524	146	60453
6	16/06 00:00	1.571	500	5268	39	3531

6B(SEP13)(1440m) - GBP/USD(CME)

Best Regards,
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Maximus Capital SA was approved as an External Asset Manager in the following banks:

HSBC



UBS



CREDIT SUISSE



CMB Compagnie Monégasque de Banque

SOCIÉTÉ GÉNÉRALE



CMB



BARCLAYS BANK



JULIUS BAER BANK



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