

Settlement: Tue 25-Nov-2014  
ZoneCut: NY  
Premium: USD -378.78  
Premium Date: Thu 04-Sep-2014

Net Premium:  
<Client> Receives USD 41,503

----- Forwarded by Tazia Smith/db/dbcom on 09/02/2014 08:55 AM -----

From: "Taisuke Tanaka, Deutsche Securities Inc." <taisuke.tanaka@db-gmresearch.com>  
To: Tazia Smith/db/dbcom@DBAMERICAS,  
Date: 08/21/2014 02:42 AM  
Subject: DEutsche Japan View on FX - USD/JPY: Stay bullish

Deutsche Securities Inc. - Fixed Income Research

DEutsche Japan View on FX - USD/JPY: Stay bullish  
21 August 2014 (1 page/ 192 kb)

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[http://pull.db-gmresearch.com/p/589-48F3/26441267/DB\\_DEJAViewFX\\_2014-08-21\\_0900b8c088a52a87.pdf](http://pull.db-gmresearch.com/p/589-48F3/26441267/DB_DEJAViewFX_2014-08-21_0900b8c088a52a87.pdf)

There are reasons to believe that the USD/JPY uptrend is sustainable.

The USD/JPY is trying to resume an uptrend. The laggard housing sector recovery had been raising concerns about the US economy, but, as suggested by the leading NAHB indicator, housing starts data showed a sharp increase in July. Also, the July FOMC minutes confirmed that committee members are considering the possibility of increasing policy rates sooner.

We see the USD/JPY uptrend continuing through 2015 and into 2016, and think the rate could ultimately overshoot 120. Our reasoning is as follows:

- 1) The US economy's recovery cycle: Once underway, a sustainable cycle should last a few years. We see US interest rates rising (albeit slowly), and continuing to support the USD/JPY.
- 2) EUR depreciation: With the wrapping up of purchasing operations after the sovereign debt crisis in Southern Europe, the EUR appears to have fallen to a downtrend that reflects the economic and monetary policy gap with the US. USD appreciation facilitates EUR depreciation, and a weakening EUR should continue to reinforce a strengthening USD.
- 3) Japanese money: Japan's institutional and individual investors have been steadily buying foreign currencies on dips. Their positions are a long way from completely factoring in JPY depreciation. As the JPY weakens, these investors will likely raise the dip levels that they buy on, and continue supporting the JPY depreciation trend. Public pensions are already providing strong support by increasing their overseas investments.