



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3000	1.2600
Spot Ref:	1.2772	
Tenor:	2 weeks	
Date:	18 Jan 2012	
Time:	15:15 hrs	
Resistance / Support:	1.2950	1.2623
Commentary:		



- S&P downgrades 9 eurozone member states; France and Austria cut from "AAA" to "AA+" (Fri 13-Jan).
- Greek creditors bridle at demands, default fears grow (Mon 16-Jan).
- Moody's maintain France's "AAA" credit rating and stable outlook (Mon 16-Jan).
- S&P cuts EFSF credit rating by one notch to "AA+"; Markets ignore the downgrade (Tue 17-Jan).
- Key auction events when Spain and France will go into the auction market to offer long-dated bonds (Thu 19-Jan).

S&P downgraded the credit ratings of 9 member states, including stripping France and Austria of their top "AAA" ratings by 1 notch to "AA+". The S&P move was not unexpected as it had already warned late last year of potential ratings downgrade of any of the eurozone member states. France looked particularly vulnerable due to its banking sector being heavily exposed to the eurozone sovereign debt and S&P warned in December that it may cut French credit rating by up to two notches. Nonetheless, S&P affirmed the long-term ratings on Belgium (AA), Estonia (AA-), Finland (AAA), Germany (AAA), Ireland (BBB+), Luxembourg (AAA), and the Netherlands (AAA).

S&P also cut its credit rating of the European Financial Stability Facility, the euro zone's rescue fund, by one notch to "AA+" on Monday evening, three days after it cut the ratings of France and Austria by the same margin. S&P said the decision was all but inevitable following the cuts to the creditworthiness of France and Austria, which were two of the EFSF's guarantors. EFSF CEO Klaus Regling said the downgrade will make no difference to the facility's lending capacity or effectiveness.

Greece's private sector creditors warned on Monday that the Athens government must urgently break a deadlock in debt swap talks triggered by "unreasonable" demands from international lenders if it is to avoid a disorderly default. Talks with its creditor banks broke down on Friday over the interest rate on new bonds Greece will offer and a plan to enforce investor losses. Negotiations were suspended until Wednesday, and Athens sent senior officials to Washington to consult with the IMF. A deal must be sealed before senior inspectors from the EU, IMF and ECB "troika" arrive in Athens at the end of the week to agree details of a second, 130-billion-euro bailout. An agreement in principle is needed by the end of this week if it is to be finalised in time for the March bond redemptions.

The euro strengthened in Asian trading on Tuesday as a successful short-term debt auction in France eased market worries over the eurozone debt crisis. European banks bought Italian and Spanish debt, thanks to the LTRO cheap loan rates. In the latest Spanish bond auction, the country sold three billion euros of 12-month bills at 2.15%, down from 4.05% previously and 1.87 billion euros of 18-month bills at 2.49%. The key auction events will be on Thursday when Spain and France offer long-dated bonds.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5550	1.5200
Spot Ref:	1.5347	
Tenor:	2 weeks	
Date:	18 Jan 2012	
Time:	15:15 hrs	
Resistance / Support:	1.5340	1.5233
Commentary:		



- UK home sellers cut asking prices in January as Recovery in "Paralysis" (Mon 16-Jan).
- Inflation in Britain falls sharply in December; CPI up 4.2% [+4.8% November], RPI up 4.8% [+5.2% November] (Tue 17-Jan).

UK home sellers cut asking prices for a third month in January, according to Rightmove PLC, which said the property market will remain "challenging" this year. Property prices may remain under pressure as unemployment rises and euro-region turmoil threatens economic growth. Ernst & Young LLP's ITEM Club said that Britain has slipped back into a recession and Europe's inability to end the debt crisis has had a "debilitating effect" on the UK, which is in a "state of paralysis".

ITEM Club said Britain's economy will probably shrink in the current quarter after contracting in the last quarter of 2011. It cut its 2012 growth forecast to 0.2% from 1.5%. Data released today will likely show jobless claims probably increased by 7,000 in December, according to the median of 25 estimates in a Bloomberg survey.

Consumer prices in the UK rose 4.2% in December compared to the same month last year, down from a 4.8% annual rate in November, the U.K. Office for National Statistics said on Tuesday. The largest downward pressures to the change in CPI annual inflation between November and December 2011 came from petrol, gas and clothing. RPI annual inflation stands at 4.8% in December 2011, down from 5.2% in November.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0500 1.0250  
Spot Ref: 1.0390  
Tenor: 2 weeks

Date: 18 Jan 2012  
Time: 15:15 hrs

Resistance / Support: 1.0449 1.0298

#### Commentary:



- Australian shares and currency jump on strong Q4 China GDP growth figures (Tue 17-Jan).
- Aussie Dollar hits 27-year high against British pound (Tue 17-Jan).
- Australian consumer confidence rebounded in January (Wed 18-Jan).

The Australian share market ended at its highest level this year after better-than-expected growth numbers out of China. The Chinese economy grew by 8.9% in Q4 from a year earlier, taking the annual pace of growth to 9.2% in 2011. Analysts were expecting an 8.7% increase in GDP for Q4. The surprisingly strong Q4 headline was partly boosted by the above-consensus December industrial production, which expanded 12.8% y/y compared with 12.4% in November, as well as the weaker than expected imports in the month. Retail sales also turned out to be robust rising 18.1% y/y in December, breaking above the normal pace of 17% and the fastest in nearly a year.

The Australian dollar has climbed to a 27-year-high against the British pound. The market still thinks there is a possibility of further rounds of quantitative easing in Britain, or money printing, which serves to weaken the pound even further. In contrast to the Australian economy with a low 5.3% unemployment rate, the jobless rate in Britain remains at 8.3% almost four years after the financial crisis first hit. Strong investor sentiment figures from Germany, US manufacturing data and firmer-than-expected Chinese growth figures helped lift risk sentiment but any rallies in risk appetite would be short-lived due to the overwhelming fears surrounding the euro zone's debt crisis.

A sentiment index rose 2.4% to 97.1, after falling 8.3% in December, a Westpac Banking Corp and Melbourne Institute survey taken Jan 9-13 of 1,200 consumers showed today. The reading was boosted by a 9.5% gain in the sub-index tracking opinions on economic conditions over the next year, said Bill Evans, Westpac's chief economist. The number of people employed in Australia rose by 10,000 last month after a decline of 6,300 in November, the statistics bureau will probably say, according to the median estimate in a Bloomberg News survey of economists. The jobless rate is forecast to remain unchanged at 5.3%.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.8150 0.7850  
Spot Ref: 0.8033  
Tenor: 2 weeks

Date: 18 Jan 2012  
Time: 15:15 hrs

Resistance / Support: 0.8105 0.7911

#### Commentary:



- REINZ says NZ house sales transactions climb 21% but prices little changed (Wed 18-Jan).
- NZIER Quarterly Survey of business opinion – NZ business activity slows, confidence dims in December (Tue 17-Jan).
- Statistics NZ reports Retail Spending shrinks in December (Tue 17-Jan).

New Zealand's dollar maintained yesterday's advance against most major peers before Greek Prime Minister Lucas Papademos meets with a group representing private bondholders to discuss forgiving at least half of the nation's debt.

New Zealand house prices were little changed near their highest since 2008 last month, amid a seasonal increase in sales. The Real Estate Institute of New Zealand (REINZ) index of house prices fell 0.1% to 3,301.4 in December, according to a statement released today. The number of transactions rose 21% from a year earlier to 5,316 and was the most active December in four years, the institute said. The Auckland market was strongest with its best sales in December since 2006 and the house price index for Auckland rising back to all-time highs; median house price rose 6.5% to \$484,375 from a year earlier, with the number sold up 28% to 1,826 in December.

New Zealanders continued to wind back their spending in the lead-up to Christmas after a short-lived splurge during the Rugby World Cup. The value of total electronic transactions fell 0.2% to a seasonally adjusted NZ\$6.6 billion in December, according to Statistics New Zealand. That follows a 0.3% decline in November and a 1.7% decrease in October 2011, as households continue to keep a lid on their spending.

NZIER reported that local trading activity slowed and business confidence dimmed in the December quarter as the flurry of work in the wake of the Canterbury earthquakes comes back to normal levels. Firms' own activity slowed to a negative 4% from a 1% expansion in September, broadly in line with the moderation in the national economy.

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