



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency: EUR USD
 Alternate Currency: USD EUR
 Strike Price: 1.3500 1.3150
 Spot Ref: 1.3329
 Tenor: 2 weeks

Date: 28 Mar 2012
 Time: 11:30 hrs

Resistance / Support: 1.3507 1.3170
 Commentary:



- Spain vows to stick to budget deficit targets (Sun 25-Mar).
- French consumer confidence unexpectedly jumped in March (Tue 27-Mar).
- OECD calls for trillion euro debt fund for eurozone (Tue 27-Mar).

Spain vowed Sunday to deliver on its promise to reduce its budget deficit, as the country's economic situation sparks concern in the eurozone and financial markets. Spain's secretary of state for EU affairs, Inigo Mendez de Vigo, rejected fears expressed by many economists about whether Spain, given the recession it is experiencing this year, will be able to meet its EU obligation to slash its budget deficit to 3.0% of GDP next year. He noted that the markets had already called for higher borrowing rates for Spain after Madrid relaxed its public deficit target for this year, with the markets pricing yields on Spanish debt several dozen basis points higher than Italian debt.

French consumer confidence unexpectedly jumped by the most in almost five years in March as the euro region's second-largest economy prepares for a possible change of government. A measure of sentiment rose to 87 in March from 82 in February, national statistics office Insee said. Economists forecast an unchanged reading in a Bloomberg News survey. The gain was the biggest since May 2007, when Nicolas Sarkozy won France's presidency promising to bolster household purchasing power. The new Insee forecast prompted Sarkozy's government to lift its prediction for France's 2012 economic expansion to 0.7%. Business confidence is also improving and job losses are slowing as concern about Europe's sovereign debt crisis fades.

The eurozone came under new pressure to boost the firepower of its debt rescue fund on Tuesday, with the 34-nation OECD pressing for a safety net of at least 1.0 trillion euros. Eurozone finance ministers are meeting on Friday and Saturday in Copenhagen to decide whether to increase the size of their debt rescue mechanism amid resurgent concerns about the financial health of Spain. The OECD's call has little chance of being heard, however, with Germany backing a smaller increase in the new European Stability Mechanism after months of international pressure to back a bigger fund.

Base Currency: GBP USD
 Alternate Currency: USD GBP
 Strike Price: 1.6050 1.5700
 Spot Ref: 1.5956
 Tenor: 2 weeks

Date: 28 Mar 2012
 Time: 11:30 hrs

Resistance / Support: 1.6000 1.5781
 Commentary:



- UK retail sales fell 0.8% in February, ONS says (Thu 22-Mar).
- Sterling touches 4-month high above \$1.60 (Tue 27-Mar).
- UK stores expect retail sales to decline in April, CBI Says (Tue 27-Mar).
- Queen's jubilee could harm UK economy, Bank governor warns (Tue 27-Mar).
- UK Q4/2011 GDP expected to remain unchanged at -0.2% q/q (Wed 28-Mar, 16:30 SGT).

UK retail sales volumes fell by 0.8% in February compared with the previous month, figures from the Office for National Statistics have shown. The decline was bigger than expected, but sales volumes over the past three months were still 1.7% higher than the same period a year earlier. Internet retailers fared best, with 10.7% of all sales now made online. January's unexpectedly strong growth in sales volumes of 0.9% was revised down to 0.3% by the ONS. Sales volumes figures strip out the impact of inflation.

A survey by the Confederation of British Industry on Tuesday showed that while UK retail sales unexpectedly steadied in March, the outlook was poor amid high fuel prices and slow wage growth. Sterling rose to its highest in more than four months versus the dollar on Tuesday, with the greenback burdened by increasing chances of more US monetary easing and the pound able to shake off the negative effects of a shaky economic outlook in the UK. The gauge of annual sales growth rose to zero from minus 2 in February, the London-based business lobby said in a report. A measure of expected sales for April was at minus 4, indicating retailers expect a decline.

Celebrations for the Queen's diamond jubilee could throw the British economy into reverse again, Sir Mervyn King warned on Tuesday. The Bank of England governor said it was "quite possible" UK output would shrink over the next three months. He also signalled that the country still faced a long battle to get back to the kind of growth it enjoyed before the financial crisis. The late May bank holiday has been moved to Monday 4 June, and the next day has also been designated a break to mark the event.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0600 1.0300
Spot Ref: 1.0431
Tenor: 2 weeks

Date: 28 Mar 2012
Time: 11:30 hrs

Resistance / Support: 1.0680 1.0320

Commentary:



- Aussie hits 2-month low on China flash PMI (Thu 22-Mar).
- RBA focus is on massaging the Australian economy through future challenges (Minutes from 6-March RBA meeting).
- RBA Financial Stability Review – Biannual check-up on the financial sector (Wed 28-Mar).

The Aussie dollar dropped to a two-month low on Thursday after China's manufacturing activity shrank in March for a fifth straight month, underscoring concerns about growth slowing in the world's second largest economy. The HSBC flash PMI, the earliest indicator of China's industrial activity, fell back to 48.1 from February's four-month high of 49.6. New orders sank to a four-month low, an expected rebound in export orders failed to emerge and new hiring slumped to a two-year low.

Interest rate expectations from the RBA have continued to deteriorate with Credit Suisse overnight index swaps now factoring in a 27% chance of a 25 basis point cut at the next policy meeting with twelve month expectations calling for another 56 basis points in interest rate cuts from the RBA. As concerns over a slowdown in China continue to take root, we may see Governor Glenn Stevens show an increased willingness to further ease policy as sluggish economic activity dampens the outlook for inflation.

In its latest report card on the stability of Australia's financial system, the RBA also cautioned banks against expecting strong profit growth to continue, as credit demand remains weak across the economy. Australian banks are in relatively good shape although economic conditions are widely divergent across the economy, with business failures and debt defaults now above their norms. Overall, global financial conditions have improved since the start of 2012 after the ECB took steps to improve bank access to liquidity, it said. But there remains a long road back to full recovery in Europe, it added.

The RBA warned about the potential for an "overshoot" by the strong Aussie dollar, saying it would watch the unemployment rate for signs that financial conditions were too tight. It left rates on hold in March, but has kept the door open to more cuts in interest rates. Australia's manufacturing sector is in crisis as a result of the strong currency.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8350 0.8050
Spot Ref: 0.8187
Tenor: 2 weeks

Date: 28 Mar 2012
Time: 11:30 hrs

Resistance / Support: 0.8400 0.8000

Commentary:



- New Zealand posts trade surplus of NZ\$161 million for February amid ports dispute (Mon 26-Mar).
- Housing affordability boost may be short-lived – Massey University (Wed 28-Mar).
- US Richmond Federal Reserve – Manufacturing stumbles, index falls to 7 versus 18 expected (Tue 27-Mar).

NZ trade balance was a surplus of NZ\$161 million in February, turning from a revised deficit of NZ\$159 million a month earlier, according to Statistics New Zealand. That was in line with the predicted surplus of NZ\$153 million in a Reuters survey of economists. Economists expect New Zealand's trade balance to moderate in the coming months due to strong local currency, lower commodity prices and weak growth in its trading partners. Exports totalled NZ\$3.59 billion in February, while imports totalled NZ\$3.4 billion. It said industrial action at the main port in Auckland in February seemed to have weighed on the country's performance during the month.

Buying a house in New Zealand appears to be getting more affordable, but the phenomenon could just be a temporary blip, especially in Auckland and Christchurch. According to research by Massey University's Real Estate Analysis Unit, in the three months ending February, the national affordability measure improved by 4.9% on the prior quarter, with seven of the 12 regions showing improvements. On an annual basis, affordability rose 8.8%, with Canterbury the only region where the measure declined.

In New Zealand, there is no significant data set for release today. Meanwhile, the USD was underpinned by the broad easing in risk appetite. Demand for the "safe haven" greenback was solid after a disappointing US Richmond Fed Manufacturing index release for March. The USD index crept up from intra-nights lows, below 78.80 to trade above 79.00 currently. The Kiwi dollar was weighed upon by a weaker Aussie dollar after the RBA kept the door open for cutting Aussie interest rates.

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