



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2650	1.2350
Spot Ref:	1.2489	
Tenor:	2 weeks	
Date:	13 Jun 2012	
Time:	11:40 hrs	
Resistance / Support:	1.2615	1.2435
Commentary:		



- Euro soars briefly on €100 billion Spain bank bailout (Mon 11-Jun).
- Could Italy be next? Fears after Spain bank rescue (Mon 11-Jun).
- 10-year bond yields hit a high: Spain 6.83%; Italy 6.30% (Tue 12-Jun).
- France, Germany inflation data (Wed 13-Jun), Eurozone industrial production (Wed 13-Jun) and inflation data (Thu 14-Jun).
- Syriza parleys politics of defiance into Greek battle for Euro (Greece re-election on Sun 17-Jun).

After an emergency video conference lasting more than two hours on Saturday (9-Jun), eurozone finance ministers issued a statement saying they were "willing to respond favourably" to a Spanish plea for help and agreed to lend Spain up to 100 billion euros to prop up its banks. The deal was hailed by Germany, France, Japan and the US as well as the IMF. But dealers cast doubt on whether the euro's rally was sustainable given persistent uncertainty over Europe ahead of Greek elections on June 17. Investor concerns have weighed on the euro with tensions already high over fears Athens may exit the bloc following the polls. A strong lead by the Syriza party, which has pledged to renegotiate the terms of the Greece's EU bailout, would potentially destabilize markets further amid fears that the country might eventually leave the Eurozone.

Even as the global economic community hailed an agreement to rescue Spain's stricken banks, there was concern in Rome on Sunday that investors could now begin treating Italy as the next weak link in the eurozone. Those fears have been fueled by a report from Moody's ratings agency warning that Spain's banking troubles could be "a major source of contagion" for Italy where lenders are also highly reliant on ECB funding. Italy is now the only country in difficulty that has not had to ask for a bailout.

Spain's 10-year bond yield touched a euro-era record high of 6.83% as Fitch Ratings downgraded some Spanish lenders. Fitch said that euro-area countries face lower ratings because policy makers are failing to demonstrate they can bring the debt crisis under control and predicted Spain will miss budget-deficit targets. Bond ratings in the euro currency bloc are under "strong downward pressure". Italy's 10-year yield touched 6.30%, the highest since January.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5700	1.5400
Spot Ref:	1.5552	
Tenor:	2 weeks	
Date:	13 Jun 2012	
Time:	11:40 hrs	
Resistance / Support:	1.5680	1.5490
Commentary:		



- Osborne says Britain's recovery being killed off by eurozone crisis (Mon 11-Jun).
- UK April industrial production posts 14th monthly fall; manufacturing production also declines (Tue 12-Jun).
- Royal Institution of Chartered Surveyors (RICS) – House sales down 40% since property boom (Tue 12-Jun).

Britain's Foreign Secretary William Hague told Sky News the Spanish loan showed decisive action, which the UK Government had for a long time been asking for. "We welcome what we've heard about the eurozone loans to the Spanish banking system", Mr Hague said. "We've been asking for the eurozone to take decisive measures to stabilise itself... eurozone countries being prepared to work together in a closer way". Meanwhile, Chancellor George Osborne has said the UK's hopes of economic recovery are being "killed off" by the eurozone crisis. He said British businesses were being held back because of continuing uncertainty about the future.

Industrial production in the UK dropped for a 14th consecutive month in April on annual basis, while manufacturing also declined for the period. The seasonally adjusted index of production fell 1% in April compared to the same month a year ago, while it was unchanged from March 2012. Manufacturing fell by a seasonally adjusted 0.3% on the year in April, as output for the food, drink and tobacco industries fell 5.7% compared to the same month in 2011. On a monthly basis manufacturing fell 0.7% in April.

House sales have plummeted by almost 40% since the peak of the property price boom five years ago, RICS said. Just over 15 completed sales were made per surveyor in the three months to May, down from around 25 sales made over the same period in 2007. There were 51,823 approvals for house purchase in April worth £7.6bn, a 1.5% increase on the previous month, but still under the previous six-month average, according to recent BoE figures. House prices continued to fall generally last month, as 16% more RICS respondents reported falls rather than rises, a reading which has remained negative since June 2010. London, which has had strong demand from overseas buyers, was the only area where more surveyors reported price increases rather than decreases, continuing an ongoing trend.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0050 0.9850
Spot Ref: 0.9943
Tenor: 2 weeks

Date: 13 Jun 2012
Time: 11:40 hrs

Resistance / Support: 1.0000 0.9850

Commentary:



- Strong economy proves "doomsayers" wrong in Australia (Mon 11-Jun).
- RBA: Boost productivity to combat high dollar (Wed 13-Jun).
- NAB Monthly Business Survey: Economy tipped to slow amid business gloom (Tue 12-Jun).
- Consumer confidence grows slightly in June (Wed 13-Jun).

Australia's economic performance is proving "doomsayers" wrong, Treasurer Wayne Swan said Sunday ahead of a conference this week to address challenges including an elevated currency and uneven growth. A 4.3% expansion in Q1 from a year earlier and the addition of 38,900 jobs in May were standout achievements, he said in his weekly economic note. Capitalising on growth opportunities is a topic at Prime Minister Julia Gillard's economic forum in Brisbane Tuesday and Wednesday. RBA governor Glenn Stevens is urging businesses struggling under the high Australian dollar to focus their efforts on boosting productivity in order to survive.

Business conditions have dropped to their lowest level in three years and sentiment among business owners has deteriorated sharply, a closely watched survey has found. The National Australia Bank Monthly Business Survey found that despite the RBA slashing interest rates by 25 basis points last week, businesses were gloomy as the prospects of a Greek exit of the eurozone weighed on sentiment and the federal budget offered little to satisfy business leaders. The survey found that business conditions dropped 4 points to a reading of -4 on the index last month, its lowest reading in three years. Business confidence dropped six points to a reading of -2 on the index.

Consumer optimism has grown only slightly, despite another official interest rate cut. The latest Westpac/Melbourne Institute Consumer Sentiment Index, released on Wednesday, rose by only 0.3% to 95.6 index points in June. Consumers were preoccupied with other factors, including the condition of the domestic economy and economic instability offshore. Forward projections for family finances and the economic outlook in the next 12 months were both weak.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.7850 0.7650
Spot Ref: 0.7766
Tenor: 2 weeks

Date: 13 Jun 2012
Time: 11:40 hrs

Resistance / Support: 0.7820 0.7670

Commentary:



- National job numbers rise (Mon 11-Jun).
- Quotable Value (QV) – NZ property values extend gains in May (Tue 12-Jun).
- RBNZ quarterly Monetary Policy statement likely to keep rates unchanged (scheduled for Thu 14-Jun).

New jobs are on the rise, with the SEEK New Job Ad Index revealing a 6.4% y/y increase in the number of new jobs. The data from NZ's largest job source, seek.co.nz, shows that the rise in job ads in May was across the breadth of the country, an encouraging sign for the labour market. For the first time since December 2011, monthly growth has been seen nationwide, with jobs up 3.8% from April. Data from the SEEK Employment Index (SEI) was also released, measuring the ratio of new job ads listed on SEEK to applications received for those jobs. The SEI dipped 1.3% in May, driven by simultaneously increasing job applications and solid growth in job ads.

The pace of annual gains in the value of houses accelerated in May, after relatively steady values over the past few months, according to government valuer QV. National property values are up 1% in the three months ended May 31 and have risen 3.9% over the past year, to be 2% below the market peak in 2007. Auckland's property market is now "leading the way", rising 1.4% in the three months ended May 31, compared with 0.6% in the three months ended April 30. Values are up 5.7% on an annual basis.

Traders have pared their bets that the RBNZ will follow Australia in cutting interest rates at Governor Alan Bollard's quarterly Monetary Policy Statement review on Thursday. A tepid local recovery and global risks, especially in Europe are likely to keep the official cash rate unchanged at 2.5%, according to all 14 economists in a Reuters survey. A dovish statement consolidated with no signal to cut rates will cause a fall in interest rates and the kiwi.



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