



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2750	1.2350
Spot Ref:	1.2489	
Tenor:	2 weeks	
Date:	27 Jun 2012	
Time:	14:35 hrs	
Resistance / Support:	1.2800	1.2400
Commentary:		



- Spain and Cyprus formally requested for bailouts (Mon 25-Jun).
- Second Greek minister resigns; new Finance Minister (Tue 26-Jun).
- EU proposes banking union as "big leap forward" to save bloc (Tue 26-Jun).

Spain and Cyprus formally requested for bailouts in letters addressed to Luxembourg's Jean-Claude Juncker (who leads the group of euro-area finance ministers) on Monday, effectively becoming the 4th and the 5th country within the eurozone region to ask for aid, after Greece, Ireland and Portugal. The Cypriot government said that a write-down of Greek bonds which hit its banks hard pushed it to seek help. The news comes as Cyprus readies to take on the EU's six-month rotating presidency on July 1.

Greek PM Antonis Samaras' new conservative-led government was sworn in last week, ending months of political deadlock. But in the last week alone it has suffered a string of casualties. The designated finance minister Vassilis Rapanos resigned Monday due to illness after being hospitalized the day he was to have been sworn in. Prominent economist Yannis Stournaras was named as Greece's new finance minister Tuesday. Stournaras was involved in the country's negotiations to join the Euro. Samaras is recovering at home from a serious eye operation and will be unable to attend the EU summit later this week. The departure of Giorgos Venicos, a deputy at the merchant marine ministry, was the latest in a litany of missteps and bad luck that have halted the government's ability to regain control of Greece's austerity program.

The suggestions to be put to the EU summit on Thursday and Friday were made public after being delivered to the bloc's 27 capitals by EU president Rompuy, EC president Barroso, ECB chief Draghi and Eurogroup head Juncker. A report from the four titled "Towards a genuine economic and monetary union" suggests EU leaders agree that a pan-European banking authority be put in place and give Brussels the final say over national budgets in the eurozone. "We need a banking union, a fiscal union and further steps towards political union," Barroso told a conference.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5850	1.5400
Spot Ref:	1.5628	
Tenor:	2 weeks	
Date:	27 Jun 2012	
Time:	14:35 hrs	
Resistance / Support:	1.5800	1.5450
Commentary:		



- MPC member wants £50 billion easing (Sun 24-Jun).
- Recovery still five years away, Mervyn King warns (Tue 26-Jun).
- UK Public Sector Net Borrowing rises to £15.58 billion in May versus £-19.93 billion in April (Tue 26-Jun).

The BoE needs to pump at least another £50 billion into Britain's "stalled" economy, says David Miles of its interest rate-setting committee, warning that only a "substantial" third round of emergency bond-buying will kick-start recovery. His comments came amid growing expectations in financial markets that the BoE could embark on more QE as soon as next month, printing money to buy gilts in an attempt to drive down borrowing costs for households and businesses. Mr Miles, regarded as the committee's most dovish member, voted for additional QE at this month's meeting of the Bank's nine-strong MPC, along with three other members including Sir Mervyn King the governor.

Britain is facing at least five more years of financial pain, the BoE Governor has warned, in his bleakest outlook for the economy yet. Addressing MPs at the Treasury Select Committee, he pushed his earlier prediction for a full recovery back by three years, reflected the scale of problems in the eurozone as well as his fears for the global economy. The Governor added that the Bank had not ruled out cutting rates from their current historic low of 0.5% right down to zero, reflecting policies in countries like the US and Japan. "It may well be the case that if conditions in money markets and deposit rates change then we could well reduce it," he said.

Figures from the Office for National Statistics showed that net borrowing excluding financial intervention to Britain's banks stood at almost £18 billion in May, up from just over £15 billion in the same month in 2011. City analysts had been expecting net borrowing to come in at around £14.5 billion in May but the ONS said income tax receipts were down more than 7% on May 2011 while government spending was up by 8%. The deteriorating state of the public finances is a setback for the chancellor, George Osborne, who has announced tax increases and spending cuts in an attempt to trim Britain's record peacetime budget deficit.

Base Currency: AUD USD  
Alternate Currency: USD AUD  
Strike Price: 1.0250 0.9950  
Spot Ref: 1.0057  
Tenor: 2 weeks

Date: 27 Jun 2012  
Time: 14:35 hrs

Resistance / Support: 1.0200 1.0000

Commentary:



- Mortgage rate cuts not moving borrowers (Tue 26-Jun).
- Aussie dollar higher despite negative EU sentiment (Tue 26-Jun).
- Next RBA Board meeting and Official Cash Rate announcement will be on Tue 03-July.

Interest rate cuts are having a much weaker effect on home-loan borrowing than they used to, bank executives warn. The Reserve Bank's cuts of 75 basis points in the past two months have prompted only a small rise in lending because consumer confidence is down. Commonwealth Bank and Adelaide Bank mortgage executives Kathy Cummings and Damian Percy told a forum in Adelaide yesterday. RBA assistant governor Guy Debelle said the muted reaction was not surprising as households were using the rate cuts to help pay down debt.

Despite a survey by property information service RP Data showing house prices across Australia's capital cities fell an average 5.3 per cent in the 12 months to May, Dr Debelle said households in Australia were managing their debt levels and there was no oversupply of houses. "Turnover in the housing market is about as low as it was 20 years ago," he said. Dr Debelle said he was more concerned about the ongoing global uncertainty over the European Union. "I think the day of reckoning is going to happen in Europe ... but nobody knows how it will play out," he said.

On Tuesday (European time), German chancellor Angela Merkel spoke out for a second time this week against the idea of shared liability for the eurozone, adding to concerns about the likely results of the summit on Thursday. The Aussie dollar also held its ground against USD on the back of firmer commodity prices. The AUD/USD pair stayed above parity for Tuesday's trading before ending the trading day at 1.0065.

Base Currency: NZD USD  
Alternate Currency: USD NZD  
Strike Price: 0.8050 0.7750  
Spot Ref: 0.7899  
Tenor: 2 weeks

Date: 27 Jun 2012  
Time: 14:35 hrs

Resistance / Support: 0.8000 0.7800

Commentary:



- New Zealand passes law for part sale of energy assets (Tue 26-Jun).
- Kiwi gains on US data but EU fears linger (Wed 27-Jun).
- NZ trade surplus narrows as imports outpace exports (Wed 27-Jun).

New Zealand passed legislation on Tuesday paving the way for the government to partially privatise billions of dollars worth of state-owned energy assets in a bid to rein in the country's debt. Under the plan, the government will sell 49% of coal producer Solid Energy and energy companies Mighty River Power, Meridian and Genesis, while retaining majority 51% stakes in the assets. It also intends to reduce its 76% stake in flag carrier Air New Zealand to 51%, although that sell off does not need separate legislation, unlike the energy assets. In total, the sales will raise about NZ\$6.0 billion, the Minister for State Owned Enterprises Tony Ryall said. "It's part of a wider plan to reduce debt and keep investing in the New Zealand economy," he told parliament.

The New Zealand dollar posted modest gains overnight against the US currency after data out of the US showed housing prices had fallen at a slower pace than expected, lifting hopes the US economic recovery is still apace. The pick up in investors' risk appetites appeared to only be a temporary bounce with bears aplenty waiting in the wings. Overnight German Chancellor reaffirmed her opposition to the issue of common euro bonds, saying Europe would not pass the measure "as long as I live".

Weak global outlook hit the New Zealand's trade balance on two fronts, resulting in lower demand for its exports and rising export prices due to the rising strength of the NZD. New Zealand's trade surplus narrowed in May, as expected, as imports rose faster than exports, widening the annual deficit. The monthly surplus was NZ\$301 million in May, down from a revised NZ\$335 million in April, according to Statistics New Zealand. That's in line with the NZ\$300 million surplus forecast in a Reuters survey. The annual gap widened to NZ\$810 million from NZ\$790 million, the NZDUSD weakened on the release of the economic data. Exports increased by 14% month over month to NZ\$ 4.42 billion and imports rose at a faster rate of 16% month over month to NZ\$ 4.11 billion.



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