



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2500	1.2250
Spot Ref:	1.2386	
Tenor:	2 weeks	
Date:	08 Aug 2012	
Time:	13:00 hrs	
Resistance / Support:	1.2472	1.2274
Commentary:		



- Draghi says ECB will do whatever it takes to save the euro (Thu 26-Jul) but disappoints with no follow through, euro plummets (Thu 02-Aug).
- IMF says not enough done to stop spread of euro zone crisis (Fri 03-Aug).
- Weak industrial orders add to gloom for German economy (Tue 07-Aug).
- Italy sinks further into recession (Tue 07-Aug).
- S&P cuts Greek outlook to negative (Tue 07-Aug).

The ECB had failed to live up to the expectations that had built in the wake of ECB President Draghi's comments in London on 26 July. He was speaking at an investment conference in London to mark the beginning of the Olympics, and had injected the markets with a dose of risk appetite when he said that the ECB will do whatever it takes to preserve the euro. The euro plummeted across the board following the ECB's decision to refrain from a bond buying program last Thursday.

The IMF called for a "policy game changer" in the eurozone to arrest the spread of the debt crisis it now says is clearly engulfing the entire currency bloc and its smaller neighbours. In a worst-case scenario simulated by the IMF, it found that eurozone output could be cut by five percentage points if policymakers did not act and the eurozone crisis worsened. The IMF also said the US must remove the threat of a so-called "fiscal cliff" in 2013, with US\$4 trillion worth of expiring tax cuts and automatic government spending reductions next year, and not enough fiscal adjustments over the medium term.

German industrial orders declined in June as the debt crisis crimped domestic demand and in the euro area, official data showed on Tuesday. The economy ministry said in a statement that industrial orders dropped 1.7% in June from May against expectations for a 1% decline, more than wiping out the modest 0.7% increase in May.

Italy sank further into recession in Q2, with a 0.7% fall in GDP, slightly better than the 0.8% decline in Q1. This will weaken tax revenues and hit jobs and consumer spending, a vicious circle which makes it harder for PM Mario Monti who is aiming to cut the budget deficit to 0.1% of GDP in 2014, to meet his public finance goals.

"The negative outlook reflects the potential for a downgrade if shortfalls in Greece's 2012 deficit and arrears targets established under the current EU/IMF program are not met by new funding or other relief" from key creditors, S&P said, adding, that Greece's GDP will contract by 10%-11% over 2012-2013, more than double the assumption in the EU/IMF bailout program. The worsening of the fiscal position imply a high likelihood that Greece will require additional financing of as much as €7 billion this year.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5750	1.5400
Spot Ref:	1.5609	
Tenor:	2 weeks	
Date:	08 Aug 2012	
Time:	13:00 hrs	
Resistance / Support:	1.5743	1.5383
Commentary:		



- BoE leaves policy on hold as economy worsens (Thu 02-Aug).
- Queen's jubilee hits Britain's manufacturing output (Tue 07-Aug).

The Bank of England left its monetary policy unchanged last Thursday, judging that its July decision to expand its buying of government bonds is enough stimulus for now despite signs of growing economic weakness. As expected the BOE kept its bank rate unchanged at 0.5% and did not add to their existing QE programme of £375 billion at the conclusion of a two-day meeting.

Manufacturing output in recession-hit Britain slumped by the largest amount in almost four years in June as the country celebrated Queen Elizabeth's diamond jubilee. Production dropped 2.9% in June from May to record the biggest fall since November 2008, the Office for National Statistics (ONS) said in a statement Tuesday. But the decline was far less than analyst predictions for a slide of 4.5%, indicating that Britain's recession may not be as deep as feared according to analysts. Manufacturing output retreated 4.3% in June on an annual basis, also lower than analysts' consensus forecast for a drop of 5.9%. The ONS added that the wider measure of industrial output, which includes manufacturing, mining and quarrying, electricity, gas and water supply, fell 2.5% between June and May.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0700 1.0450
Spot Ref: 1.0535
Tenor: 2 weeks

Date: 08 Aug 2012
Time: 13:00 hrs

Resistance / Support: 1.0681 1.0457

Commentary:



- Australia posts surprise trade surplus in June (Thu 02-Aug).
- Australia retail sales jump in June as stimulus works (Thu 02-Aug).
- Australian services industry contracts for sixth straight month (Fri 03-Aug).
- RBA holds rates at 3.50% (Tue 07-Aug).
- Home loans approvals for June increase most in 2012 (Wed 08-Aug).

Australia unexpectedly recorded a trade surplus in June as fuel imports declined and shipments abroad stagnated. The Aussie rose as a separate report showed stronger retail sales. Exports outpaced imports by A\$9 million, from a revised A\$313 million deficit in May, the Bureau of Statistics said. The median estimate in a Bloomberg News survey of 22 economists was for a deficit of A\$375 million. The April balance was revised to a A\$20 million surplus from the previously reported deficit of A\$26 million.

Australian retail sales rose a surprisingly strong 1.0% in June as interest rate cuts and government handouts boosted spending on everything from food to clothes and eating out, suggesting no urgent need for further policy easing. Last Thursday's data from the government also showed retail sales jumped an inflation-adjusted 1.4% for the whole second quarter, handily outpacing forecasts of a 0.8% gain and a big boost to economic growth.

Australia's services industry shrank in July for a sixth straight month as companies struggled to adjust to the currency's renewed strength, a private survey showed. The performance of services index declined 2.3 points to 46.5 in July from 48.8 in June, Commonwealth Bank of Australia (CBA) and the Australian Industry Group said.

The RBA held interest rates at 3.50% for a second consecutive month, saying previous cuts were still trickling through the economy despite a softer global outlook. RBA governor Glenn Stevens said the world economy had cooled after rallying earlier in the year and global GDP was now expected to grow "at no more than average pace" this year. The Aussie dollar hit US\$1.0602 on the widely expected decision with investors seeing little indication of further near-term cuts in the bank's remarks.

Australian home-loan approvals rose in June by the most this year as buyers responded to the central bank's 1.25% of interest-rate cuts since November. The number of loans granted to build or buy houses and apartments gained 1.3% from May, when they fell a revised 0.9%, the statistics bureau said today. Today's data showed the total value of loans rose 2.4% to A\$20.7 billion in June. The value of lending to owner-occupiers gained 1.2%, and to investors who plan to rent or resell homes advanced 4.9%.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8250 0.8000
Spot Ref: 0.8121
Tenor: 2 weeks

Date: 08 Aug 2012
Time: 13:00 hrs

Resistance / Support: 0.8250 0.8028

Commentary:



- S&P affirms New Zealand's AA rating (Fri 03-Aug).
- PM John Key talks kiwi dollar down (Tue 07-Aug).

Ratings agency Standard and Poor's reaffirmed New Zealand's AA foreign currency long-term rating, with a stable outlook, but warned there might be renewed pressure if the country's external debt levels were to deteriorate further. A year after S&P cut New Zealand's ratings a notch, it said the current level was appropriate given the economy's outlook, fiscal strength, and the strength of its banks, which countered the threats from high external debt and vulnerable commodity markets.

Speaking in Christchurch on Tuesday, PM John Key warned traders against taking one way bets against the New Zealand dollar. He also acknowledged the severe effect the high dollar could have on the country's economic growth, with many exporters already feeling the pain of a high exchange rate. The comments came as a reminder of the kiwi surge last year, when the Fed's QE2 programme systematically lowered the value of the greenback, and the kiwi dollar shoot up to a historic high of US\$0.8840.



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