



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3300	1.3100
Spot Ref:	1.3183	
Tenor:	2 weeks	
Date:	26 Dec 2012	
Time:	11:15 hrs	
Resistance / Support:	1.3250	1.3150
Commentary:		



- S&P upgrades Greece rating from "Selective Default" to "B-" (Wed 19-Dec).
- German consumer confidence drops (Fri 21-Dec).
- Euro weakens as US is running out of "fiscal cliff" road (Mon 24-Dec).
- France is to release official data on consumer spending (due on Fri 28-Dec).

S&P last week raised Greece's sovereign credit rating by six notches to B-minus with a stable outlook from selective default, citing the strong determination of eurozone member states to preserve Greek membership in the eurozone. The decision by the EU and IMF to release the long-delayed instalment came after Athens passed austerity measures and completed a debt buyback. The ripple effect helped government bonds issued by other eurozone countries with low debt ratings. Italy's borrowing costs slipped to their lowest levels in two years, while Portuguese yields were at their lowest since February 2011. A commitment by Germany to keep bailing out Greece, building on a pledge by ECB president Draghi to do whatever it takes to preserve the euro, allayed market fears about the imminent disintegration of the single currency.

German consumer morale dropped for the fourth month running to its lowest level in more than a year as shoppers become increasingly wary of the effect the eurozone debt crisis is having on Europe's largest economy. Market research group GfK said on Friday its forward-looking consumer sentiment indicator, based on a survey of around 2,000 Germans, eased to 5.6 heading into January from a downwardly revised 5.8 in December. Germany's economy weathered the three-year eurozone debt crisis well until it slowed in the third quarter of the year. It is now expected to contract in the fourth quarter before rebounding somewhat early next year.

Market sentiment remained under pressure as investors continued to monitor developments surrounding the fiscal cliff in the US, approximately US\$600 billion in automatic tax hikes and spending cuts due to come into effect on January 1. The US House has adjourned for the Christmas holiday, fuelling speculation that policymakers will not be able to avert the fiscal cliff. Without a deal, the US could fall back into recession and drag much of the world down with it.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6250	1.6050
Spot Ref:	1.6119	
Tenor:	2 weeks	
Date:	26 Dec 2012	
Time:	11:15 hrs	
Resistance / Support:	1.6200	1.6100
Commentary:		



- Q3 economic growth revised down to 0.9% (Fri 21-Dec).
- Public sector borrowing comes in £1.5 billion higher than expected (Fri 21-Dec).
- UK house prices fall as Hometrack sees further decline in 2013 (Mon 24-Dec).
- Christmas day sees online shopping frenzy (Wed 26-Dec).

Double dose of bad news for George Osborne as estimated Q3 growth revised down to 0.9% from 1.0% previously and public sector borrowing comes in £1.5 billion higher than expected. Data from the ONS showed the key services sector – which accounts for 75% of GDP – grew by just 0.1% in October, suggesting a weak start to Q4. Public sector borrowing, meanwhile, came in at £17.5 billion, considerably higher than the £16.3 billion in November 2011, and way above forecasts for a total of £16 billion. That brings borrowing for the fiscal year to £92.7 billion. The Office for Budget Responsibility, now expects borrowing to hit £108.5 billion this year, almost 7% of GDP.

UK house prices fell for a sixth month in December and the decline will extend into 2013 as Britons' reluctance to borrow weighs on property demand, Hometrack Ltd. said. Prices in England and Wales slipped 0.1%, the same as November, the property researcher said. It forecast that values will fall 1% next year after a 0.3% decline this year. London will outperform the national market, though price growth will moderate to 2%.

High street doors may have been closed on Christmas Day but online retailers slashed prices ahead of an expected onslaught of consumers hitting the traditional Boxing Day sales. Amazon's UK website said it has seen sales on Christmas Day increase by 263% over the last five years. It expected this to be its busiest Christmas Day to date, partly due to the growth in home broadband and the popularity of tablets and smartphones. Many customers are shopping on Christmas Day in a way that has previously only been seen in the retail industry on Boxing Day. According to MoneySupermarket.com, shoppers in the UK will spend £2.9 billion in the Boxing Day sales.

Base Currency: AUD USD
Alternate Currency: USD AUD
Strike Price: 1.0450 1.0300
Spot Ref: 1.0368
Tenor: 2 weeks

Date: 26 Dec 2012
Time: 11:15 hrs

Resistance / Support: 1.0400 1.0320

Commentary:



- Swan says Australia budget surplus unlikely this fiscal year (Thu 20-Dec).
- Australia sees surplus in 2014 as forecast slips on revenue drop (Sun 23-Dec).
- Australian dollar remains lower on US "fiscal cliff" concerns (Mon 24-Dec).

Australia's government said it's unlikely to deliver a pledged budget surplus this fiscal year as weaker growth and a strong local currency curb tax receipts, a setback for Prime Minister Julia Gillard before an election due in late-2013. Rather than find spending cuts that further slow the economy, Swan said the government would try to support job growth. Since the midyear budget revisions, conditions have deteriorated. "In just four months we have already seen the full hit to revenue that we were expecting for the full year," Swan said. Standard & Poor's said the country's stable AAA debt rating is not immediately affected.

Australia's budget should return to surplus in 2014, the country's trade minister Craig Emerson said in an interview on Sky News television Sunday. The original target of a surplus in the fiscal year ending June 2013 could be achieved if positive signs around household spending continue, Craig Emerson said. The downgrade to the government's budget forecasts was necessary as tax receipts in the months from July to October came in below earlier expectations. That could still turn around if other sectors of the economy improve. In an e-mailed statement Sunday, Swan said Australia had one of the strongest budget positions in the developed world and blamed "negativity" for hurting household confidence. "We have solid growth, low unemployment, contained inflation, lower interest rates and record levels of investment," he said. "We will keep managing the budget in a balanced way, exercising spending restraint while supporting growth and jobs."

The Aussie dollar remained lower as an impasse on talks to avert the so-called fiscal cliff in the US sapped demand for higher-yielding assets. The Aussie dollar held losses against most major peers from last week after House Speaker John Boehner failed to garner support and cancelled a vote for "Plan B" that would have extended tax cuts on incomes below US\$1 million.

Base Currency: NZD USD
Alternate Currency: USD NZD
Strike Price: 0.8300 0.8150
Spot Ref: 0.8213
Tenor: 2 weeks

Date: 26 Dec 2012
Time: 11:15 hrs

Resistance / Support: 0.8280 0.8200

Commentary:



- NZ economy grows at slower 0.2% pace (Thu 20-Dec).
- Christmas spending has 'peaked' but still beats 2011 (Mon 24-Dec).
- Kiwi dollar edges lower on stalled "fiscal cliff" talks (Mon 24-Dec).

The NZ economy grew at a slower pace in the September quarter as increased building activity provided a buffer from deteriorating mining, agricultural and manufacturing sectors. GDP grew 0.2% to NZ\$36.28 billion in the September quarter, from a 0.3% pace in the June quarter, a revision from the previously published 0.6%, according to StatsNZ. The economy grew at an annual pace of 2.5%, and was 2% higher than the same quarter a year earlier. Revisions to previous quarters showed NZ dipped back into recession in the second half of 2010, with two 0.3% contractions in each quarter. The kiwi dollar dropped to 83.33 US cents after the figures were released.

The last minute spending rush has already peaked, with data from Paymark showing that the number of electronic transactions are easing off. Paymark, which processes about 75% of all electronic transactions in New Zealand, said that for the first three weeks of December spending was up 3.4% on last year. Further, the data shows that total spending across the country last week was up 30.6% on the first week of December. This equates to just over NZ\$1.3 billion, and is up 3% on the same time last year.

Investors have pared back their hopes US legislators will set aside partisan differences and reach a deal to avert the fiscal cliff, which will likely plunge the world's biggest economy back into recession. "There's no progress on the fiscal cliff and that doesn't augur well for things," said Tim Kelleher, head of institutional FX sales NZ at ASB Institutional. The kiwi dollar may drift towards 81.75/82 US cents, "but it's not about to break through the range," he said. The decline in the kiwi dollar was exacerbated by the biggest speculative long positions since 2003 in the currencies, Kelleher said. That makes them more vulnerable to a sell-off when US equities declined.



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