



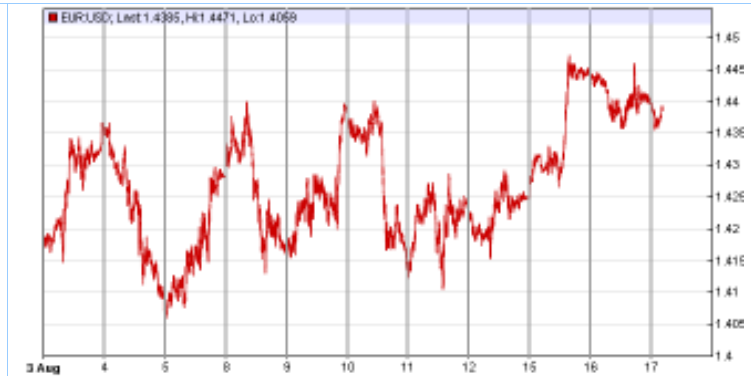
Wednesday, 17 August 2011

Short Term Currency Views

Suggested MaxiYield Pairings

Base	EUR	USD
Alternate	USD	EUR
Strike	1.4550	1.4200
Spot Ref	1.4388	
Tenor	2 weeks	

Date: 17 Aug 2011
Time: 11:30 hrs



Commentary:

- Germany's Q2 GDP growth slows to 0.1% (Qtr-on-Qtr) versus 0.5% expected (announced 16-Aug-2011).
- Euro zone Q2 GDP moderated to 0.2%; Euro drops on sluggish GDP growth.
- Franco-German Summit (16-Aug-2011): "Eurobonds" solution rejected by Sarkozy and Merkel.
- EUR/USD: Expect support at 1.4285 and resistance at 1.4446 levels.

GDP growth for Germany came in at a sluggish 0.1% for Q2 against expectations of 0.5% (Bloomberg poll). The Euro dropped about half a cent after the release. The worse-than-expected GDP data from Germany, which had been powering euro-area growth, add to signs Europe is flirting with a renewed economic slump as the debt crisis curbs spending across the region.

With French data last week signalling a stagnated economy in Q2, the weak German figures suggested the 0.3% forecast for euro zone growth could turn out to be too optimistic. The EU's statistics office in Luxembourg later reported GDP in the 17-nation euro zone rose 0.2% in Q2, compared with 0.8% in Q1. Adding to signs of slowdown, European manufacturing growth eased in July and economic confidence slumped to the lowest in almost a year.

French President Nicolas Sarkozy and German Chancellor Angela Merkel said after their summit in Paris Tuesday that Eurobonds are not the answer today to the euro zone debt crisis. They insist that tighter fiscal controls and discipline must come first.

Base	GBP	USD
Alternate	USD	GBP
Strike	1.6650	1.6250
Spot Ref	1.6433	
Tenor	2 weeks	

Date: 17 Aug 2011
Time: 11:30 hrs



Commentary:

- UK GDP hopes dashed by statistic error; ONS revised construction growth down to 0.5%.
- ONS may revise Q2 GDP growth to 0.3% from previous 0.2% estimate.
- Sharp slowdown in jobs outlook suggests that recovery is slowing.
- UK CPI Inflation for July rises slightly to 4.4%; RPI inflation unchanged at 5% from June (announced 16-Aug-2011).
- GBP/USD: Support at 1.6298; Resistance at 1.6472 and further out at 1.6650 level.

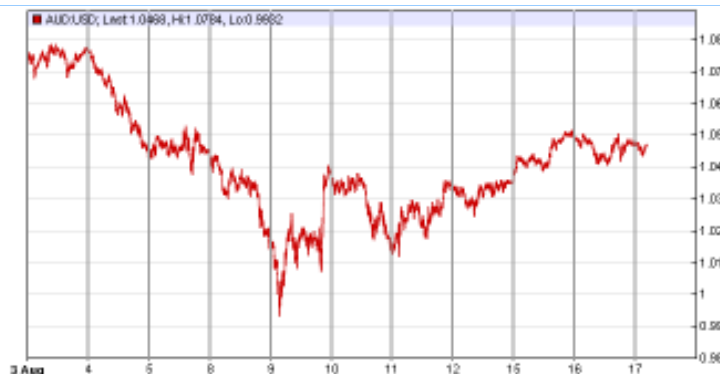
The Office for National Statistics (ONS) wrongly reported that the construction industry grew by 2.3% in the quarter, which was significantly more than its previous estimate of 0.5%. It corrected the "arithmetical error" and revised the construction figures back down to 0.5%, dashing hopes of a boost to GDP figures. The ONS signalled that GDP in the second quarter of 2011 could potentially be revised up to 0.3% from its previous estimate of a lacklustre 0.2%.

Gloomy statistics, particularly from the recently-buoyant manufacturing sector, will make it hard to build a recovery anchored on exports. Weak consumer spending and public sector cuts are adding to the gloom. Chancellor, George Osborne, is facing growing criticism of his decision to stick to the planned £81 bn of spending cuts despite the darkening outlook.

The ONS reported CPI annual inflation was 4.4% in July, up from 4.2% in June. In the year to July, RPI annual inflation was 5.0%, unchanged from June. The high inflation poses a major obstacle for the Bank of England should it want to pump more money into the economy to boost the fragile recovery. Further price increases have been expected by the BoE, which sees inflation peaking later this year at 5% before falling back below its 2% target within the next two years.

Base	AUD	USD
Alternate	USD	AUD
Strike	1.0600	1.0300
Spot Ref	1.0468	
Tenor	2 weeks	

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Commentary:

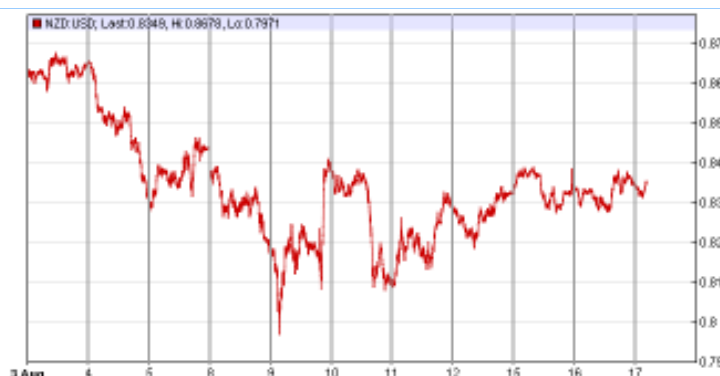
- Aussie falls as RBA Minutes fail to quell rate-cut speculation (16-Aug-2011).
- Futures market : 75 bps rate cut by year end.
- AUD/USD : Support seen at 1.0390 and Resistance at 1.0560.

Global financial turmoil threatening the US and European economies turned the Reserve Bank of Australia against an interest-rate increase, minutes of its Aug. 2 meeting showed. Since Governor Glenn Stevens kept the overnight cash rate target unchanged at 4.75% for an eighth straight meeting, investor confidence has slumped since the US's credit rating downgrade and Europe's debt crisis deepened. That drove down Australian consumer confidence and prompted traders to bet the RBA's next move will be down.

A government report showed the RBA's two preferred measures of annual inflation accelerated to 2.7% in the second quarter, compared with a gain of about 2.3% in the first quarter. With Australia's unemployment rate ticking higher, there is no case for higher interest rates and an increasingly strong argument to lower them instead. Interbank cash-rate futures are pricing rates lower at least 75 basis points by December.

Base	NZD	USD
Alternate	USD	NZD
Strike	0.8500	0.8200
Spot Ref	0.8350	
Tenor	2 weeks	

Date: 17 Aug 2011
 Time: 11:30 hrs



Commentary:

- Kiwi gains as buyers return after equity market selloff (16-Aug-2011); investors rattled by the fall in German growth.
- Fonterra's latest online auction show GDT-TWI Price Index falling 0.9% to US\$3,660 a metric tonne (average prices for Dairy Products).
- NZ Producer Input Prices rose 0.9% in Q2.
- NZD/USD : Near-term support at 0.8230 and resistance at 0.8419; trading likely to be range bound.

The New Zealand dollar rose against the greenback yesterday after Germany and EU posted slow GDP growth in Q2, with strong buying interest in the kiwi after heavy selloff helping the currency to sidestep the pullback in risk appetite on global equity markets.

The kiwi weakened after data showed milk powder prices fell to the lowest in more than a year and producer input costs rose. Milk powder for October delivery fell to \$3,359 a metric ton from \$3,477 two weeks earlier, and was the lowest since Aug. 3 last year, according to Fonterra Cooperative Group Ltd.'s *GlobalDairyTrade* auction. New Zealand's producer input prices gained 0.9% in the April-June period from the first quarter, Statistics New Zealand said in Wellington today. The median expectation of six economists surveyed by Bloomberg News was for a 1.1% rise.

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