



Wednesday, 29 August 2012

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2650	1.2350
Spot Ref:	1.2559	
Tenor:	2 weeks	
Date:	29 Aug 2012	
Time:	10:40 hrs	
Resistance / Support:	1.2600	1.2400

**Commentary:**

- Eurozone manufacturing contracts for 7th month (Thu 23-Aug).
- More time for Greece "not a solution": Germany's Schaeuble (Thu 23-Aug).
- Italy expects flat growth in 2013 after contraction (Sat 25-Aug).
- German business confidence fell for a fourth month in August (Mon 27-Aug).
- Survey: German consumer confidence remains stable (Tue 28-Aug).

Eurozone manufacturing activity contracted for a seventh month in a row in August, but nudged off a three-year low, according to preliminary survey data released on Thursday. An initial calculation of the PMI, a survey of 3,000 eurozone manufacturers compiled by Markit research firm, came in at 45.3 in August, up from 44.0 in July. The composite PMI reading, including services, came in at 46.6, up from 46.5 in July.

Giving Greece more time to implement necessary structural reforms and austerity measures would not solve its severe problems, German Finance Minister Wolfgang Schaeuble told public radio on Thursday. "More time is not a solution to the problems," Schaeuble told SWR radio. "More time would, in case of doubt, mean more money" and the eurozone had already gone to its very limits in hammering out the deal with Athens last year, the minister argued.

Italian Economy Minister Vittorio Grilli expects the economy to contract by 2.1% this year and remain flat next year as the worsening global crisis hits the prospects of a recovery, the daily Corriere della Sera said on Saturday. The forecasts underline the government's increasing pessimism about the recession Italy has already been in for at least a year, undermining its efforts to rein in its 2 trillion euro public debt.

German business confidence fell for a fourth straight month in August as the debt crisis curbed growth in Europe's largest economy. The IFO institute said its business climate index, based on a survey of 7,000 executives, dropped to 102.3 (versus expectations for 102.7) from 103.2 in July. That's the lowest reading since March 2010. Consumer confidence in Germany remains stable despite ever-increasing worries that the country's economy will suffer from the debt crisis weighing on many European countries. The GfK research institute said Tuesday that its forward-looking consumer confidence indicator for September stands at 5.9 points, unchanged from August.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5900	1.5750
Spot Ref:	1.5816	
Tenor:	2 weeks	
Date:	29 Aug 2012	
Time:	10:40 hrs	
Resistance / Support:	1.5880	1.5775

**Commentary:**

- UK economy shrank less in Q2 than previously estimated (Fri 24-Aug).
- UK August house prices fall for a second month (Mon 27-Aug).

The UK economy's Q2 GDP last Friday came in on expectation at -0.5% q/q contraction (-0.5% y/y) up from the preliminary estimate of -0.7% q/q (-0.8% y/y) due to the better than expected construction and manufacturing data for the month of June. However the sub-components of private consumption, gross fixed capital formation and exports for Q2 were all weaker, leading to GBP weakness while the latest improvement in the growth contraction was due to an expansion of inventory which added 0.5% to the headline GDP but it also sets the stage for expectation for a more pronounced slowdown once the inventory build-up is over and demand languishes.

The construction industry was among sectors falling the most in the quarter, as it declined by 3.9%. But that was less than the 5.2% initially estimated. Output of the production industries shrank by 0.9%, compared with the previous 1.3% estimate. Services, the largest part of the economy, were unrevised at a 0.1% decline.

UK house prices fell in August for a second month as demand declined amid a "fragile" market, Hometrack said. Values slipped 0.1% from July, when they also fell 0.1%, the London-based property-research company said. A measure of demand fell for a third month, dropping 1.3%, while a gauge of supply rose 0.8%. Britain's property market remains under pressure as the economy struggles to recover from a recession and the euro-area debt crisis drags on, undermining confidence and pushing up lending costs. BoE officials are assessing the impact of their new plan to boost credit as they mull whether to expand stimulus for the economy through quantitative easing.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0550	1.0300
Spot Ref:	1.0365	
Tenor:	2 weeks	
Date:	29 Aug 2012	
Time:	10:40 hrs	
Resistance / Support:	1.0555	1.0300
Commentary:		



- Resources boom is over, says Australia (Thu 23-Aug).
- Australia new home sales fell 5.6% despite RBA rate cuts (Tue 28-Aug).
- Aussie dollar drifts lower before US Federal Reserve summit meeting at Jackson Hole on 31-Aug Friday (Tue 28-Aug).

Australia has declared the end of the resources boom which had cushioned the country against the global financial crisis, a day after the world's biggest miner BHP Billiton shelved two major expansion plans worth at least US\$40 billion. "The resources boom is over," Resources and Energy Minister Martin Ferguson said. "We've done well. A\$270 billion in investment - the envy of the world. It has got tougher in the last 6-12 months."

Fueled by Chinese-led demand for its coal, iron ore and other resources, Australia's economy was one of the very few in the developed world to sail through the global financial crisis without sliding into recession. The resources boom fuelled what has been dubbed a two-speed economy, which has pumped up the Australian dollar and exacerbated the pain felt in manufacturing sectors and retail in Australia's most populous states. NAB expects the resources boom to peak in 2013 and 2014, when resource capital spending will be around 1% of GDP higher than now.

Sales of new homes in Australia fell 5.6% in July to end three months of gains, a reminder that housing construction remains one of the weakest sectors of the economy, an industry survey showed on Tuesday. The Housing Industry Association (HIA) said its survey of large builders showed sales of detached homes fell 5.5% in July, while sales of multi-units dropped 6.4%. The pullback in sales comes despite interest rates cuts from the RBA in both May and June.

The Aussie dollar is drifting lower based on weaker commodity prices; copper is down quite a bit, the share market is flat and oil is down quite a bit. Expect range bound trading in the lead-up to the US Jackson Hole summit but the Aussie could fall quickly or rally sharply on Friday depending on the market reaction to Dr Bernanke's speech.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8150	0.8000
Spot Ref:	0.8044	
Tenor:	2 weeks	
Date:	29 Aug 2012	
Time:	10:40 hrs	
Resistance / Support:	0.8130	0.8030
Commentary:		



- Rising home prices in NZ causes anxiety (Thu 23-Aug).
- Food and fuel price shocks possible, says NZIER (Wed 29-Aug).

Record-low interest rates are helping fuel ever-larger mortgages, money that ultimately comes from offshore. NZ's household debt levels are high by international standards and are a big part of the reason why two major credit agencies last year downgraded NZ's sovereign credit rating. While much of the world remains in a housing slump, median home prices in NZ rose to an all-time high of NZ\$372,000 in June, 6% above the peak reached before the global financial crisis and more than double the level of a decade ago according to REINZ. Median prices are about five times median household income, well above the historic multiple of three. The Economist magazine rated NZ's home prices as 66% overvalued when compared to rents. The Bank of New Zealand said that homes were 25% overvalued when compared to long-term trends.

Sharply higher prices for oil and basic foods could see prices rising at the supermarket in New Zealand by early next year, says the New Zealand Institute of Economic Research (NZIER) in its latest quarterly predictions. The independent economic agency sees the economy growing on 1.7% this year, on-trend with the Treasury's May Budget forecast of 1.6%, and says while New Zealand is showing signs of economic recovery, world events threaten that outlook.

However, even if food and oil prices cause price shocks, NZIER is forecasting relatively robust growth of 2.7% in 2013, based on a "gradual and patchy recovery because of uncertainties around the timing and size of the Canterbury rebuild and highly uncertain trading conditions".



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