



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2900	1.2600
Spot Ref:	1.2729	
Tenor:	2 weeks	
Date:	16 May 2012	
Time:	11:10 hrs	
Resistance / Support:	1.2850	1.2630
Commentary:		



- EFSF bailout fund approves Greek emergency payment (Wed 09-May).
- Eurozone industrial output falls 0.5% in Q1 (Mon 14-May).
- Greece repays €436 million maturing bond (Tue 15-May).
- Strong German Q1 GDP data saves eurozone from recession (Tue 15-May).
- Italy contracts 0.8% in Q1 GDP, mass downgrade of Italian banks by Moody's (Tue 15-May).
- Euro trades near 4-month low as Greece fails to form coalition government (Tue 15-May).

Eurozone governments kept Greece afloat last Wednesday after agreeing a payment of €5.2 billion from the region's bailout fund, despite opposition from some member states following the Greek election results. An initial €4.2 billion was paid immediately, and the remaining 1 billion will be paid out later as it was not needed before June. Payments were for redeeming a €436 million bond maturing on May 15 that was not fully swapped under the Greek debt restructuring deal finalised last month. The repayment on Tuesday of €436 million comes to €450 million when interest is included. The balance falls due at various dates, with the next tranche on September 13.

European industrial production unexpectedly declined in March, slipping 0.3% from February, when it advanced 0.8%, the EU's statistics office reported Monday. For Q1, industrial output fell 0.5%. Government spending cuts and rising unemployment are undermining demand in the eurozone. However, the euro briefly strengthened when data released by the Federal Statistical Office showed that Germany's Q1 GDP rose 0.5% from the prior quarter, when it fell 0.2%. Economists had expected only 0.1% growth for the first quarter. The price adjusted German GDP was up 1.7% annually, faster than the 1.5% expansion logged in the fourth quarter.

Eurozone GDP stagnated in Q1, a touch better than forecasts for a 0.2% slump, and dodging a technical recession following a 0.3% contraction in Q4 of 2011. The surprisingly strong 0.5% growth in Germany offset contractions in peripheral countries. A political impasse in Greece after elections this month has sent stocks lower, pushed up bond yields of indebted nations as concerns intensifies on Greece's potential exit from the Eurozone. Greek depositors have reportedly withdrawn €700 million from the local banks on Monday.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6150	1.5850
Spot Ref:	1.5974	
Tenor:	2 weeks	
Date:	16 May 2012	
Time:	11:10 hrs	
Resistance / Support:	1.6068	1.5900
Commentary:		



- BoE Monetary Policy Committee (MPC) kept rates unchanged, ends monetary stimulus (Thu 10-May).
- Financial Times: Dave Miller – UK viewed as a safe haven in an uncertain world (Mon 14-May).
- Bloomberg survey – UK jobless probably rose to 8.4% in Q1 (Tue 15-May).
- BoE releases Quarterly Inflation report (Wed 16-May, 09:30 GMT).

Sterling has been viewed as an alternative safe haven play in the European backdrop. The dysfunctional eurozone remains a major concern to all. Recessionary forces are strengthening. Countries like Spain are seeing investors heading for the exit. This leaves its local banks funded by the ECB as the only material buyers of government debt.

The Bank of England's MPC last Thursday decided to maintain the official Bank Rate paid on commercial bank reserves at 0.5% and to keep its programme of asset purchases totalling GBP 325 billion unchanged. The programme is financed by the issuance of central bank reserves. The decision not to add more monetary stimulus was because UK's inflation remain stubbornly high and outweighed growth concerns.

The jobless rate probably increased to 8.4% matching a 16-year high in the first quarter, adding pressure on BoE Governor Mervyn King as he prepares to explain why policy makers stopped expanding stimulus for the economy last week even as the outlook for Europe's economy darkens. King will present economic forecasts at a press conference today. Rising unemployment and the government's fiscal squeeze are damping domestic demand in the UK, where the economy has slipped back into a recession. While some policy makers have grown more concerned about inflation, a resurgence of the euro-area debt crisis may further hamper Britain's ability to recover.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0100	0.9850
Spot Ref:	0.9930	
Tenor:	2 weeks	
Date:	16 May 2012	
Time:	11:10 hrs	
Resistance / Support:	1.0050	0.9860
Commentary:		



- Australian jobless rate unexpectedly falls to 1-year low (Thu 10-May).
- Aussie home loan approvals unexpectedly gains (Mon 14-May).
- Aussie dollar weakens amid RBA minutes, but later strengthens on better-than-expected German GDP data (Tue 15-May).
- Better than expected Australian wage data clouded as Greece heads for new elections (Tue 15-May).

Australia's unemployment rate unexpectedly dropped to a one-year low as payrolls rose for a second straight month, driving the local currency higher last Thursday and reducing bets on interest-rate cuts next month. The jobless rate fell in April to 4.9%, matching the lowest level since December 2008, from 5.2% in March. Economists had forecast a rise to 5.3%. Payrolls advanced by 15,500 after a revised 37,600 gain, compared with estimates for a 5,000 decline. The Aussie dollar rebounded above \$1.01 as investors pared bets that RBA Governor Glenn Stevens will lower borrowing costs after he slashed the benchmark by 0.5% to 3.75% last week.

Australian home-loan approvals unexpectedly rebounded in March, rising for the first time in three months. The number of loans granted to build or buy houses and apartments gained 0.3% from February, when they fell 2.5%, the statistics bureau said Monday. The median estimate in a Bloomberg survey was for 2% fall in approvals.

The Australian dollar weakened after the minutes from the RBA's 01-May meeting showed that the Australian economy is continuing to grow slightly below the expected trend. Members of the bank's monetary policy board felt that a cut in interest rates by 0.5% was warranted in order to offset higher bank rates and that course of action was sealed by the belief that inflation is likely to remain in the lower half of the target range.

The Aussie fell overnight after talks between Greece's political parties collapsed, causing a lot of uncertainty about whether Greece is going to get a government and if so, whether they can stick to the austerity measures. The negative sentiment over events in Greece meant the market ignored better than expected Australian wage price data and was likely to see the currency continue to fall over the coming days.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.7850	0.7600
Spot Ref:	0.7668	
Tenor:	2 weeks	
Date:	16 May 2012	
Time:	11:10 hrs	
Resistance / Support:	0.7780	0.7630
Commentary:		



- New Zealand housing market weakens in April as recovery moderates (Thu 10-May).
- Q1 retail sales fall 1.5% led by supermarkets, groceries (Mon 14-May).
- BusinessNZ (BNZ) – Services sector picks up pace in April, led by new orders (Mon 14-May).

New Zealand house prices fell in April, reversing some of the prior month's gains, amid a moderate recovery in the residential property market this year. Prices fell 0.3% from March when they rose 1.9%, according to an index published by the REINZ. Sales fell 4.1%, the institute said, citing seasonally adjusted figures. The declines add to the case for the RBNZ to prolong a period of record-low interest rates at 2.5% until next year.

Retail sales fell in the first three months of the year as people reined in spending on supermarket and grocery items after a spend-up during the Rugby World Cup. The total volume of spending fell a seasonally adjusted 1.5% to NZ\$17.02 billion in Q1, according to Statistics New Zealand. That was in line with a 1.4% contraction forecast in a Reuters survey of economists. Stripping out motor vehicle-related spending, core retail sales volumes dropped 2.5% to NZ\$13.28 billion, the biggest decline since the series began in 1995. The bulk of the loss came from a 7.4% decline in the volume of sales at supermarkets and grocery stores to a seasonally adjusted NZ\$4.04 billion.

The BNZ performance of services index (PSI) rose 2.5 points to 56.7 in April from March, the highest since November 2011, and the second-highest reading for April since the survey began in 2007. The PSI comes after a surprisingly weak performance of manufacturing index (PMI) last week that showed the lowest reading in six months and raised doubts about the sustainability of NZ's economic recovery. Economic data has been rather mixed, with a rise in the jobless rate in the Q1 while retail sales fell.



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