



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2900	1.2650
Spot Ref:	1.2798	
Tenor:	2 weeks	
Date:	21 Nov 2012	
Time:	11:25 hrs	
Resistance / Support:	1.2880	1.2670
Commentary:		

■ German growth slowed less than forecast in Q3; French economy unexpectedly expanded (Thu 15-Nov).
 ■ Moody's strips France of AAA-rating with one-notch cut, citing deteriorating growth outlook (Mon 19-Nov).
 ■ Eurozone mulls Greek debt buy-back (at a discount) up to €40 billion (Tue 20-Nov).

German growth slowed less than forecast in Q3 and the French economy unexpectedly expanded, increasing the chances that the euro area avoided a recession. German GDP climbed 0.2% from Q2, when it gained 0.3%, the Federal Statistics Office said Thursday. Economists predicted a 0.1% increase. In France, GDP rose 0.2% in Q3, driven by exports and consumer spending, beating economists' median forecast of zero growth. Q2 GDP was revised to a 0.1% decline from unchanged.

Moody's stripped France of its prized triple-A badge on Monday, cutting the sovereign credit rating on Europe's No. 2 economy by one notch to Aa1 from Aaa, citing an uncertain fiscal outlook and deteriorating economy. The downgrade, which follows a cut by S&P in January, was widely expected but is still a blow to Socialist President Francois Hollande as he strives to convince the world he can fix France's public finances and stalled economy. Moody's said it was keeping a negative outlook on France due to structural challenges and a "sustained loss of competitiveness" in the country, where business leaders blame high labour charges for flagging exports.

Eurozone finance ministers are considering allowing Athens to buy back up to €40 billion of its own bonds at a discount as one of a number of measures to cut Greek debt to 120% of GDP by 2020. Going into the second ministerial meeting in successive weeks, Jean-Claude Juncker, the chairman of the group, was cautiously optimistic that a deal would be struck. That caution reflects the complex options being discussed, ongoing political differences and the sheer scale of reducing Greece's debt mountain.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.6050	1.5800
Spot Ref:	1.5921	
Tenor:	2 weeks	
Date:	21 Nov 2012	
Time:	11:25 hrs	
Resistance / Support:	1.6000	1.5825
Commentary:		

■ BoE policy maker says more scope for QE if growth stays weak (Mon 19-Nov).
 ■ Empty shops at record levels in UK town centres (Mon 19-Nov).
 ■ Cameron braced for "mission impossible" on EU budget (Tue 20-Nov).

The BoE still has the firepower to boost a sluggish economy and has scope for further stimulus with more asset purchases, Bank policymaker David Miles said on Sunday. "If growth does stay very weak and inflation stays low and close to the target level there is more that we can do, we have not run out of ammunition," he told Sky News. "There is the scope for more quantitative easing ... it remains a powerful weapon." The BoE was able to maintain its expansionary monetary policy because of muted growth in wages, which Miles said he regarded as the most important domestic source of inflation pressure. At some stage the BoE would have to raise interest rates and reverse some of its bond purchases, but when to do that was a "tricky judgement" and Miles indicated that such a move was some way off. "It would be a mistake though to try and get back to more normal monetary policy too quickly when the recovery that we have seen has been pretty anaemic," he said.

The proportion of empty shops in British town centres hit a record in October in the face of stagnating sales and rising costs, according to a survey from the British Retail Consortium published on Monday. 2012 has seen several high profile retail failures, including sportswear group JJB Sports, outdoor goods group Blacks Leisure, video games retailer Game and greetings card firm Clinton Cards. Though they all re-emerged in some form, hundreds of stores have closed. The retail lobby group said the proportion of empty stores on UK high streets and in shopping centres was 11.3% in October, the highest since data started in July 2011, and 0.4% worse year-on-year.

David Cameron faces the near impossible task this week of finding an EU budget deal acceptable to mutinous party members and to exasperated fellow EU leaders. The PM's threat to veto the union's long-term budget at a Brussels summit on Thursday appealed to the anti-EU wing of his Conservative Party, emboldened after defeating him in a parliamentary vote calling for European spending cuts. Business leaders warned that burning bridges with Europe would damage the fragile US\$2.5 trillion economy and the broadly pro-European opposition Labour Party said Britain risked "sleepwalking" out of the EU. He has called for a freeze in real terms in EU spending from 2014 to 2020 while most of the 26 other leaders want to allow some increase, mostly to fund development projects in poorer member states in central Europe.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 1.0450 1.0250
 Spot Ref: 1.0369
 Tenor: 2 weeks
 Date: 21 Nov 2012
 Time: 11:25 hrs
 Resistance / Support: 1.0450 1.0290
 Commentary:



- IMF may classify Aussie, Canada dollar as Reserve Currencies (Mon 19-Nov).
- RBA considered more easing may be appropriate – Minutes of MPC on 6-Nov showed (Tue 20-Nov).
- Economists predict December rate cut at next RBA meeting on 4-Dec. (Wed 21-Nov).

The IMF said it's considering classifying the Australian and the Canadian dollars as reserve currencies. The two "are to be considered for inclusion" separately in the IMF's "Currency Composition of Official Foreign-Exchange Reserves" data, in a report published on November 14. They've previously been included in an "other currencies" category in the COFER reports. The Australian budget is forecast to show a surplus that is 0.1% relative to GDP next year, after a 3% deficit in 2012.

The RBA said more interest-rate reductions may be appropriate to spur economic growth as a mining boom wanes, minutes of its November 6 policy meeting showed, sending the Aussie currency slightly lower. At the meeting, the RBA held the overnight cash-rate target, citing a better global outlook and faster domestic inflation, after five cuts in the prior year to help extend a 21-year run without a recession. RBA Governor Glenn Stevens lowered the benchmark by 1.5% to 3.25% from November 2011 to October this year as it aims to help industries including construction rebound to offset a slower pace of resource investment. Stevens said Australia's economy will also need to adapt to a slower pace of growth in China, higher national savings at home that have subdued consumer spending and a decline in the resource industry's contribution to GDP.

Most economists expect the RBA to cut rates either in December or February next year. The RBA doesn't meet in January. Traders are pricing in a 63% chance that the RBA will reduce the key rate again on December 4, swaps data compiled by Bloomberg show. That would match the 50-year low of 3% at the height of the 2008-2009 global financial crisis.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8250 0.8050
 Spot Ref: 0.8153
 Tenor: 2 weeks
 Date: 21 Nov 2012
 Time: 11:25 hrs
 Resistance / Support: 0.8220 0.8080
 Commentary:



- Dairy product auction prices rise 0.7%, whole milk powder falls (Wed 21-Nov).
- Kiwi dollar holds decline on Japan's falling imports (Wed 21-Nov).
- NZ credit card spending has first annual drop in 3 years (Wed 21-Nov).

Prices of dairy products rose in Fonterra's latest GlobalDairyTrade auction, the third straight gain on the sales platform, led by cheddar and anhydrous milk fat, while milk powder prices fell. The GDT-TWI Price Index rose 0.7% compared to the last sale two weeks ago. The average winning price gained to US\$3,348 a metric tonne. Whole milk powder, the biggest product by volume, fell 1.9% to US\$3,276 and skim milk powder dropped 1.7% to US\$3,402.

The Australian and New Zealand currencies remained lower after a decline in Japanese imports dimmed the outlook for the South Pacific nations' shipments. The so-called kiwi dollar maintained losses against its Australian counterpart following a drop yesterday after Auckland-based Fonterra Cooperative Group Ltd. said whole-milk powder prices fell to a seven-week low. "The slowdown in Japan's economy is a negative for the Australian and New Zealand dollars," said Kengo Suzuki, a currency strategist in Tokyo at Mizuho Securities Co. "A drop in dairy prices is a selling catalyst for the New Zealand dollar."

Credit card billings in New Zealand fell in October from the same month a year earlier in the first annual decline in three years. Total billings in New Zealand shrank 0.9% to a seasonally adjusted NZ\$2.8 billion last month from October 2011 as spending on overseas cards shrank by a quarter, according to RBNZ figures. Last year's local billings on foreign-issued cards were bolstered by an influx of visitors for the Rugby World Cup.



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