



## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3100	1.2900
Spot Ref:	1.3038	
Tenor:	2 weeks	
Date:	13 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.3100	1.2735
Commentary:		

- German exports increased more than forecast in January (Mon 11-Mar).
- Italy to seek some budget flexibility at EU summit: minister (Tue 12-Mar).
- German inflation slows to 2-year low in February (Tue 12-Mar).
- Euro woes not over, says crisis-wary Bundesbank (Tue 12-Mar).

German exports rose more than economists forecast in January, adding to signs that Europe's largest economy is gathering momentum after a contraction in the fourth quarter. Exports, adjusted for working days and seasonal changes, advanced 1.4% from December, when they gained 0.2%. Economists had forecast a 0.5% gain. Imports rose 3.3% from December. While the German economy shrank 0.6% in Q4, the Bundesbank predicts it will rebound in the current quarter. Confidence among investors and businesses jumped in February and retail sales rose the most in more than six years in January. Still, factory orders unexpectedly fell and industrial production stagnated.

Inflation in Germany slowed to its lowest level in more than two years in February, increasing by 1.5% on a 12-month basis this month, down from 1.7% in January. On a monthly basis, the CPI rose by 0.6% in February from January. The last time, the annual inflation rate was lower was in December 2010, when it had stood at 1.3%.

Italy plans to ask its EU partners to agree to grant states that have nearly brought their budgets into balance more flexibility to increase deficits to finance public investment, European Affairs minister Enzo Moavero said on Monday. Italy expects to achieve a balanced budget in structural, or growth-adjusted terms in 2013, in line with targets agreed with its EU partners in 2011. In nominal terms, it recorded a deficit of 3% of GDP last year, down from 3.8% in 2011 and just within the EU's maximum limit.

A wary Bundesbank said on Tuesday it had set aside billions more euros against what it deems risky ECB moves, and criticised France directly for "floundering" in its reform drives. Jens Weidmann, the Bundesbank's chief said "the reform course in France seems to have floundered, in Italy it has been brought into question by the elections and in Cyprus (which is struggling to get a bailout) the situation is especially unclear."

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5050	1.4850
Spot Ref:	1.4942	
Tenor:	2 weeks	
Date:	13 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.4960	1.4650
Commentary:		

- UK business confidence rose in February: BDO (Mon 11-Mar).
- UK January manufacturing output suffers steepest fall since June (Tue 12-Mar).
- UK House-Price index declines as demand rebound falls short (Tue 12-Mar).
- Sterling hits 2½-year low on fears of triple-dip recession (Tue 12-Mar).

BDO's Optimism Index, which predicts business performance two quarters ahead, stood at 90.6 in February from 88.9 in January, which was a 21-year low. It remains below the 95.0 mark that indicates growth. The Index has been below that threshold since May 2012. Despite this increase in confidence, businesses still do not anticipate growth in the next two quarters, BDO said. An increase in the BDO Inflation Index, to 101.5 from 100.4 in January, points to further pressure on businesses' bottom lines.

An index of UK house prices fell for a second month in February as interest from potential buyers failed to rebound fully from a slump in January. A gauge by London-based RICS declined to -6 from -4 in January, it said in an e-mailed report. While measures of new buyer inquiries and instructions from home sellers rose last month after heavy snow in January hit activity, they "disappointingly point to a levelling off" rather than a rebound, RICS said. While RICS' index of new buyer enquiries increased to 3 in February from -10 in January, the measure remains below its level in December. The gauge of new home sales instructions gained to 1 from -5.

British manufacturing output fell in January at the fastest pace since June, wiping out the previous month's gains and reinforcing fears that the economy made a weak start to the year. Manufacturing output dropped 1.5% on the month, the ONS said, noting that snowy weather at the end of January had little impact. Industrial output, which includes energy production and mining, fell 1.2% after a 1.1% rise in December, partly due to a shutdown of a North Sea oil field that accounts for 3%-6% of oil production.

The NIESR, which last month predicted that Britain would avoid a triple-dip recession, said it was now a close call. It estimated the economy shrank 0.1% in the three months to February. If economic activity shrinks again this quarter - looking increasingly likely - Britain will be back in recession. The pound hit a 2½ year low against the US dollar and British government bonds rallied after the weak manufacturing data, which raised expectations for more bond buying from the BoE to shore up the economy.

Base Currency:	AUD	USD
Alternate Currency:	USD	AUD
Strike Price:	1.0400	1.0200
Spot Ref:	1.0310	
Tenor:	2 weeks	
Date:	13 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	1.0380	1.0260
Commentary:		



- Trade deficit widens in January (Thu 07-Mar).
- Aussie weakens as China data signal slower start to year (Mon 11-Mar).
- NAB Business conditions and confidence edge down (Tue 12-Mar).
- Home loans fell 1.5% in January (Wed 13-Mar).
- Australia consumer confidence hits 27-month high in March-survey (Wed 13-Mar).

Australia's trade deficit widened to A\$1.057 billion in January, compared with a deficit of A\$688 million in December 2012, the Australian Bureau of Statistics said last Thursday. Economists' forecasts had centred on a deficit of A\$500 million. During the month, exports fell 1.0%, while imports rose 1.0%, the ABS said.

The Aussie dollar dropped against most major peers after Chinese factory output had its slowest start to a year since 2009, damping the outlook for Australia's commodity exports. The Aussie declined for a second day against its US counterpart after data showed a resurgence of the US economy – retail sales probably rose 0.5% in February, a fourth consecutive gain; US employment rose a higher-than-estimated 236,000 last month and the US jobless rate dipped to a four-year low of 7.7%.

Business conditions and confidence edged down in February, with a drop in profits and slump in forward orders. The monthly business survey by NAB shows that confidence has fallen from 3 to 1, while conditions have eased from -2 to -3. Trading conditions remained flat at 0, but profitability dropped from -2 to -5. In a worrying sign, the biggest fall was in forward orders, from -4 to -11, the lowest level since May 2009. The decline in orders is a sign that business activity is likely to remain subdued over the next few months. However, the employment sub-index improved from -6 to -3, on a further sign the labour market weakness may be bottoming out.

The number of home loans approved in January fell 1.5% to 44,383, a fourth consecutive monthly fall, compared to 45,075 approvals in December. Economists had expected commitments to fall by 3.1% in January. The ABS said that total housing finance by value rose 2.4% in January, seasonally adjusted, to A\$21.485 billion.

Australian consumer confidence rose for a third straight month in March as people grew more upbeat about the economic outlook and their own finances, suggesting lower interest rates were working to revive demand. The Melbourne Institute and Westpac Bank showed its index of consumer sentiment climbed 2% in March, to 110.5 and the highest since December 2010, on top of February's steep 7.7% jump. It was also up a healthy 15.1% on March last year.

Base Currency:	NZD	USD
Alternate Currency:	USD	NZD
Strike Price:	0.8350	0.8200
Spot Ref:	0.8240	
Tenor:	2 weeks	
Date:	13 Mar 2013	
Time:	11:15 hrs	
Resistance / Support:	0.8310	0.8200
Commentary:		



- Home prices rise in February, led by Auckland, Christchurch (Fri 08-Mar).
- NZ food prices fall in February on cheaper fruit, vegetables, meat (Wed 13-Mar).
- RBNZ expected to keep rates unchanged at 2.5% (due on Thu 14-Mar).

National property values rose 3.2% in the three months ended Feb. 28 to NZ\$428,692 and have gained 6.3% over the past year, according to state valuer Quotable Value. Property values are now 3.2% above the last peak in late 2007. Most of the increases are still coming from Auckland and Canterbury. In Auckland, values are up 10.4% over the past year while in Christchurch the gain was 7.5%. Heat in the housing market has been cited by RBNZ governor Graeme Wheeler as an area of concern and is partly why the central bank is considering the use of macro-prudential tools, such as limits on loan-to-value ratios, to more specifically target parts of the economy.

Food prices fell last month led by cheaper, meat, fruit and vegetables, though milk prices rose to a nine-month high. The food price index fell 0.3% in February, following a 1.9% fall a month earlier, in its sixth decline in seven months. Annual food prices decreased 0.1%. Fruit and vegetable prices fell 1.6% in February, while meat declined 1.4%. Fresh milk prices rose 2.1% to their highest level since May last year. Food prices account for 19% of the CPI, which is sitting below the RBNZ's target band at 0.9%.

RBNZ governor Graeme Wheeler will review monetary policy tomorrow and is expected to keep the official cash rate at 2.5%, with benign inflation giving him scope to help invigorate the economic recovery facing a drought across the North Island. Still, a bubbling Auckland property market has been cited as a threat to future financial stability.



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