



Short Term Currency Views

Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.3250	1.2950
Spot Ref:	1.3095	
Tenor:	2 weeks	
Date:	08 May 2013	
Time:	14:05 hrs	
Resistance / Support:	1.3240	1.2962
Commentary:		

- Eurozone unemployment hits record 12.1% in March: EU (Tue 30-Apr).
- Euro falls as Draghi says ECB prepared to act (Mon 06-May).
- Tax still a weakness for Greece: IMF (Mon 06-May).
- ECB cuts interest rate to record low of 0.5% (Thu 02-May).
- Eurozone business downturn points to deeper Q2 recession (Mon 06-May).
- German factory orders up 2.2% in March, above expectations (Tue 07-May).

Eurozone unemployment hit a fresh record of 12.1% in March, with 19.2 million people on the dole as recession deepened. The jobless rate climbed for a 23rd consecutive month as an extra 62,000 people joined unemployment queues in the 17-nation eurozone. In the full 27-member EU, 26.5 million people were out of work in March, or 10.9%, as 69,000 extra workers went on the dole. The unemployment rate a year earlier was 11.0% in the eurozone and 10.3% in the EU.

ECB President Mario Draghi finally conceded and cut the benchmark refinancing rate by 25bps to a new record low of 0.5% on the back of the eurozone recession worsening as shown by the latest economic indicators (eurozone PMI below 50 since August 2011, unemployment at record 12.1% and inflation slowed to 1.2%, the lowest since 2010). This was the first rate cut since July 2012. Draghi said that policy makers have an "open mind" on reducing their deposit rate below 0% for the first time. The ECB deposit rate is at 0% since July 2012 and Draghi has opened the possibility that ECB can further shift its potential floor for its interest rate policy. The euro dropped after Draghi said in Rome that "we will be looking at all the data that arrives from the euro-area economy in the coming weeks and, if necessary, we are ready to act again".

The eurozone's business downturn dragged on in April, suggesting the region may be falling deeper into recession this quarter, business surveys showed. The PMIs also showed that Germany is now suffering a contraction in business activity that has long dogged France, Italy and Spain. Markit's Eurozone Composite PMI, which is seen as a good gauge of economic conditions, edged up in April to 46.9 from 46.5 in March, marking an improvement on an initial reading of 46.5. The IMF said Greece must do more to fight its 'notorious' tax evasion and open up labour competition to ensure the burden of austerity does not fall disproportionately on wage-earners and pensioners.

German industrial orders jumped by 2.2% in March compared with February, after already rising by the same magnitude the previous month. The rise was unexpectedly strong in March, propelled by rising demand both at home and abroad. Analysts had been pencilling in a slight drop of about 0.5% for March. Orders were buoyed by an above-average number of big-ticket orders in March. Foreign orders grew by 2.7%, faster than domestic orders, which expanded by 1.8%. The upward momentum was fuelled mainly by a sharp increase of 3.6% in orders for semi-finished goods. Orders for capital goods rose by 2.0%, while consumer goods orders slipped by 0.7%.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5600	1.5300
Spot Ref:	1.5476	
Tenor:	2 weeks	
Date:	08 May 2013	
Time:	14:05 hrs	
Resistance / Support:	1.5689	1.5197
Commentary:		

- UK avoids triple-dip recession with unexpected 0.3% Q1 GDP growth (Thu 25-Apr).
- Employment confidence improves; weakens case for more stimulus (Tue 07-May).
- April consumer confidence unexpectedly declines: GfK (Tue 30-Apr).
- UK rates expected unchanged after MPC meeting (due Thu 09-May, 19:00 SGT).

Sterling rose sharply above \$1.54 against the dollar after the Office for National Statistics said the UK economy grew 0.3% in the first quarter of the year from the fourth quarter of 2012, narrowly escaping a triple-dip recession. The key services sector expanded by 0.6% on the quarter, while industrial production also grew, by 0.2% – though much of that was accounted for by North Sea output. The struggling construction sector declined by 2.5%.

UK consumer confidence unexpectedly declined in April as inflation of 2.8% in March extended its run above the BoE's 2% target and wage growth of 1%, increasing households' concern about their personal finances. A sentiment index by GfK NOP fell one point to minus 27. Economists had forecast no change. A gauge of how consumers see their finances over the next year fell to minus 7 from minus 6.

An index of employment confidence rose to minus 41 from minus 45 in March, Lloyds Banking Group said. That's the highest reading since October, weakening the case for the BoE to resume asset purchases. Governor Mervyn King has been outvoted in his attempts to expand the £375 billion-pound asset-purchase target in the last three policy meetings. A separate report from the British Retail Consortium showed a gauge of shop prices rose 0.4% in April after increasing 1.4% a month earlier.

Base Currency: AUD USD
 Alternate Currency: USD AUD
 Strike Price: 1.0350 1.0100
 Spot Ref: 1.0184
 Tenor: 2 weeks
 Date: 08 May 2013
 Time: 14:05 hrs
 Resistance / Support: 1.0379 1.0103
 Commentary:



- China April HSBC PMI eases to 50.4 on weak external demand (Thu 02-May).
- Surprise fall for Australian retail sales in March (Mon 06-May).
- Building approvals fell 5.5% in March (Thu 02-May).
- RBA cuts interest rates by 0.25% to 2.75%, lowest in 50 years. (Tue 07-May).

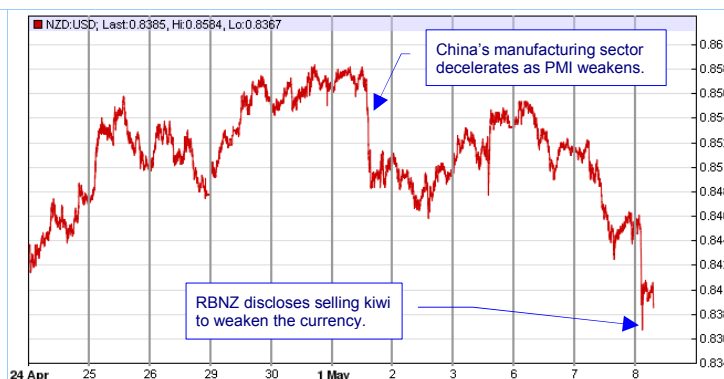
China's National Bureau of Statistics published its April manufacturing PMI report showing that the headline number fell to 50.6 from 50.9 in March. Economists were looking for a reading of 50.7. The final HSBC PMI dropped to 50.4 in April from March's 51.6 and was largely in line with a flash reading in April of 50.5. The slower growth of manufacturing activity in April confirmed a fragile growth recovery of the Chinese economy as external demand deteriorated and renewed destocking pressures built up.

Approvals for the construction of new homes fell 5.5% across Australia in March. Local councils approved the construction of 12,599 new homes in March, compared to 13,336 approvals in February, seasonally adjusted. Over the year to March, building approvals were up 3.9% compared to forecasts for a 1.5% rise in approvals.

In Australia, retail sales unexpectedly fell 0.4% to A\$21.9 billion in March after gaining 1.3% the previous month, the Bureau of Statistics said Monday. Economists surveyed by Bloomberg predicted a gain of 0.1%. That was the first drop of the year. The report showed spending on clothing, footwear and personal accessories fell 4.2%, and consumers spent 1.5% less on household goods. Food retailing rose 0.8%. Retail sales, adjusted to remove inflation, jumped 2.2% in Q1 from the previous quarter.

RBA Governor Glenn Stevens reduced the overnight cash-rate target by 0.25% to 2.75%, saying in a statement that the Aussie's record strength "is unusual given the decline in export prices and interest rates". It judged that a further decline in the cash rate was appropriate to encourage sustainable growth in the economy; the inflation data was the catalyst to act on the exchange rate concern. The RBA cash rate's previous low was 2.89% in January 1960.

Base Currency: NZD USD
 Alternate Currency: USD NZD
 Strike Price: 0.8550 0.8250
 Spot Ref: 0.8385
 Tenor: 2 weeks
 Date: 08 May 2013
 Time: 14:05 hrs
 Resistance / Support: 0.8676 0.8210
 Commentary:



- NZ government deficit smaller than forecast (Mon 06-May).
- Modest pay rises for wage workers: Statistics NZ (Tue 07-May).
- NZ CFOs cautiously optimistic but global fears remain (Mon 06-May).
- RBNZ Governor Wheeler selling kiwi to weaken currency (Wed 08-May).

The NZ government kept a smaller operating deficit than forecast in the first nine months of the financial year, even as the cost of the Canterbury earthquakes grew an expected NZ\$192 million. Last month Prime Minister John Key said the cost of the Canterbury rebuild rose NZ\$10 billion to NZ\$40 billion, of which the government will cover an extra NZ\$2 billion, taking the net fiscal cost to some NZ\$15 billion. Despite the increased cost, Key said the government is still on track to reach its surplus target in 2014/15. The government's net debt was NZ\$58.48 billion, or almost 28% of GDP, 2.4% below forecast.

NZ's CFOs are feeling cautiously upbeat but remain worried about challenges in Europe, patchy NZ economy and a potential slow-down in China. Deloitte's head of audit Peter Gulliver said CFOs were still being cautious about investing in their own business. The survey found 67% were hesitant to take on greater risk and 23% expected to reduce discretionary spending including training and marketing over the next year. Only a third expected merger and acquisition activity to feature in their strategies.

Average salary and wage rates rose modestly, up 0.4% in the March quarter, while full-time and part-time job numbers also improved. Annual growth in the labour cost index, 1.7% for the year to the end of March, eased for the third quarter in a row, showing that pay rates are rising but more slowly than a year ago, despite more new jobs.

The New Zealand dollar plunged after RBNZ Governor Graeme Wheeler said the central bank sold the currency to weaken it and is capable of doing so again to protect economic growth. "There has been some intervention," Wheeler told parliament's finance and expenditure select committee in Wellington today. That sent the New Zealand currency down as much as 1.1% to 83.60 US cents, the lowest level since April 1. The kiwi dollar surged 4% this year against developed-market peers, the strongest gain among the 10 currencies tracked by Bloomberg Correlation-Weighted Indexes.



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