



Wednesday, 11 July 2012

## Short Term Currency Views

### Suggested MaxiYield Pairings

Base Currency:	EUR	USD
Alternate Currency:	USD	EUR
Strike Price:	1.2400	1.2150
Spot Ref:	1.2257	
Tenor:	2 weeks	
Date:	11 Jul 2012	
Time:	11:40 hrs	
Resistance / Support:	1.2400	1.2150
Commentary:		

- Greek government wins confidence vote (Mon 09-Jul).
- German exports rebound in May, jumping 3.9% (Mon 09-Jul).
- EU gives Spain extra year to cut deficit, offers Spain €30 billion urgent funding (Tue 10-Jul).
- Germany urges swift court verdict over ESM bailout fund as investors took fright (Tue 10-Jul).

Greece's new conservative-led government has won parliamentary approval, but faced the much tougher task of convincing European partners and the IMF to give it more time to meet the terms of its bailout. There had been little doubt the government would sail through the confidence vote after a heated three-day debate in which it pledged to win back the trust of foreign lenders. All 179 ruling coalition deputies backed the motion in the 300-seat parliament.

German exports rebounded more than economists forecast in May, helping Europe's largest economy to weather the sovereign debt crisis. Exports, adjusted for work days and seasonal changes, jumped 3.9% from April, when they fell 1.7%. Economists forecast a 0.2% increase, according to a Bloomberg News survey. Imports surged 6.3%.

Euro area finance ministers have agreed on the terms of a bailout for Spain's troubled banks, saying that €30 billion can be ready by end of this month to help save Spain from needing a full bailout. Ministers also agreed to grant Spain an extra year until 2014 to reach its deficit reduction targets in exchange for further budget savings. No final figure was agreed for aid to ailing Spanish lenders, weighed down by bad debts due to a housing crash and recession, but the EU has set a maximum of €100 billion and some €30 billion would be available by the end of July if there was an urgent need. A final loan agreement will be signed on or around July 20.

Finance Minister Wolfgang Schaeuble urged the Constitutional Court to reach a speedy decision on the EU's bailout fund – the European Stability Mechanism (ESM) – and new budget rules and said any significant delay in approval of the anti-crisis tools would stoke financial market turbulence and erode confidence in the euro. The euro fell sharply against the dollar as investors took fright at the risk of a lengthy legal process before Germany can approve the bailout fund.

Base Currency:	GBP	USD
Alternate Currency:	USD	GBP
Strike Price:	1.5650	1.5400
Spot Ref:	1.5521	
Tenor:	2 weeks	
Date:	11 Jul 2012	
Time:	11:40 hrs	
Resistance / Support:	1.5560	1.5450
Commentary:		

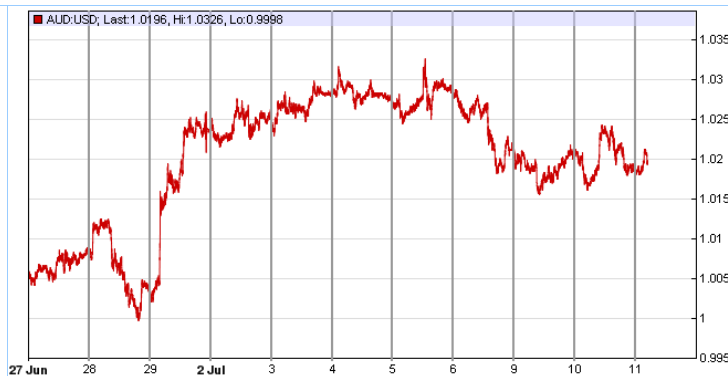
- UK job market takes turn for the worse: survey (Mon 09-Jul).
- UK industrial production unexpectedly jumps 1.0% in May (Tue 10-Jul).
- UK manufacturing sector improves in June, CBI says (Tue 10-Jul).
- National Institute of Economic and Social Research (NIESR) GDP estimate for June shows contraction (Tue 10-Jul).

The UK labour market took a turn for the worse in June as employers lacked the confidence to hire staff in the face of the ongoing crisis in the eurozone, a survey showed on Monday. The labour market has so far been surprisingly resilient and the number of unemployed has even declined despite an economy mired in its second recession in four years. But the latest Recruitment and Employment Confederation (REC) and KPMG jobs survey showed that the number of permanent placements fell at the sharpest rate in almost three years. The permanent places index, which measures how many extra workers are being hired, dropped to 46.8 in June, down from 51.0 in May.

UK industrial production told a different story than the usual gloomy economic indicators plaguing Europe. Industrial production was up 1.0% during May, while manufacturing production was up 1.2%, both beating expectations for a slight decline. The increase in production is a solid bounce back from April's revised fall in industrial output of -2.0%, and a fall in manufacturing output of -1.5%. According to a CBI survey, 17% of manufacturers reported that order books were above normal in June, compared with 28% who said they were below normal. The resulting balance of -11% was above the -17% reported in May, and above the long-term average.

The British economy continues to be mired in a recession, according to the latest growth estimate from NIESR. The June NIESR Q2 GDP estimate fell back to -0.2% from +0.1% in May, reversing a rebound in growth prospects. This is now the fifth month this year (out of six readings) that has shown that the UK economy has contracted.

Base Currency: AUD USD  
 Alternate Currency: USD AUD  
 Strike Price: 1.0300 1.0100  
 Spot Ref: 1.0195  
 Tenor: 2 weeks  
 Date: 11 Jul 2012  
 Time: 11:40 hrs  
 Resistance / Support: 1.0330 1.0150  
 Commentary:



- Rate cuts fail to spark business confidence, says NAB survey (Tue 10-Jul).
- Westpac: Rate cuts boost consumer confidence for July (Wed 11-Jul).
- ABS: Home loan approvals fall despite rate cut (Wed 11-Jul).
- June employment data, unemployment rate expected at 5.1% (scheduled for release on Thu 12-Jul).

The major news for Australia will be the jobs announcement on Thursday. The market is expecting a steady June unemployment rate, at 5.1%, and around 3,000 jobs created for the month.

National Australia Bank's business confidence index fell to -3 in June from -2 in May, while its business conditions index rose to -1 from -4 in the same period. Interest rate cuts by the RBA in May (0.50%) and June (0.25%) have so far failed to spark much of recovery for business, with confidence weaker in June and overall trading conditions only marginally better. The impact of Europe's debt concerns likely outweighed the effect of the interest rate cuts, NAB said. Business has also been preparing for the introduction of a carbon tax on July 1.

The Westpac Melbourne Institute Index of Consumer Sentiment is up 3.7% to 99.1 in July. However, it remains below 100 which indicates the number of pessimists about the economic conditions facing households continue to outweigh optimists. The survey shows consumers are more confident on domestic economic matters with the continuing strength of the Aussie dollar and petrol price falls, which boosted consumer sentiment but confidence levels remained below the highs of recent years.

Recent interest rate cuts have not caused a rise in the number of Australians taking out home loans. The number of home loans approved fell 1.2% in May, figures released by the Australian Bureau of Statistics on Wednesday show. It usually takes several months for interest rate cuts to have an impact on the number of people taking out loans. New dwellings came off 7.3%, causing the largest drag on the figures. A pick-up in lending is expected in August or September.

Base Currency: NZD USD  
 Alternate Currency: USD NZD  
 Strike Price: 0.8100 0.7850  
 Spot Ref: 0.7941  
 Tenor: 2 weeks  
 Date: 11 Jul 2012  
 Time: 11:40 hrs  
 Resistance / Support: 0.8080 0.7850  
 Commentary:



- NZ house prices rises to record: REINZ (Tue 10-Jul).
- Grant Thornton International Business Report: Kiwi firms upbeat (Wed 11-Jul).
- ANZ-Roy Morgan Consumer Confidence (due for release on Thu 12-Jul).

Keen home buyer interest in Auckland and Christchurch, which together make up about half of national activity, drove the national median price up 3.3% from a year earlier to NZ\$372,000, the Real Estate Institute of New Zealand (REINZ) reported. The housing market has seen a midwinter pick-up according to two sets of real estate figures, but is not in a boom despite the median house price hitting a new record median price in June. The overall pattern for the rest of New Zealand shows improvement in sales volumes, with prices on the whole steady rather than up. The REINZ Stratified House Price Index, which adjusts for some of the variations that can impact on the median price, is 5.3% higher than in June 2011 and is also at a record high.

The latest Grant Thornton International Business Report, which interviewed 3,000 high levels executives across 40 economies in May and June of this year showed that while just over half of the New Zealand respondents were slightly optimistic about the economy over the next 12 months, almost 65% of North Island firms and 75% of South Island expect to see their revenues grow over the year ahead. Additionally, 72% of North Island businesses expected profits increase, while for the South Island the measure stood at 62%. The general message is that New Zealand businesses think the worst is behind them.

Attention will be on the Business NZ PMI due mid-week followed by the ANZ-Roy Morgan consumer confidence index due on Thursday.



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