



CNS Treasury System

More info at <http://www.cnstresury.com>

Foreign Exchange Outlook – 1st September 2010

NZD Crosses

NZDUSD

Rate	0.6948
Change	0.0094
% Change	▼ 1.35%

NZDAUD

Rate	0.7798
Change	0.0089
% Change	▼ 1.14%

NZDEUR

Rate	0.5479
Change	0.0079
% Change	▼ 1.44%

NZDJPY

Rate	58.38
Change	1.13
% Change	▼ 1.93%

NZDGBP

Rate	0.4528
Change	0.0024
% Change	▼ 0.53%

Majors

EURUSD

Rate	1.2626
Change	0.0015
% Change	▲ 0.12%

USDJPY

Rate	83.69
Change	0.51
% Change	▼ 0.61%

AUDUSD

Rate	0.8869
Change	0.0017
% Change	▼ 0.19%

Foreign Interest Rates

USD	0.25%
AUD	4.50%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	3.00%

Other Rates

NZDHKD	5.4036
NZDFJD	1.3362
NZDCAD	0.7400
NZDSGD	0.9413
NZDXPF	65.35
NZDTHB	21.68
NZDZAR	5.1132
NZDDKK	3.6185
NZDSEK	5.1171
90 Day Bill	2.76%

Kiwi Down as Markets Balk at South Canterbury Finance

The Kiwi was under pressure overnight due to the failure of South Canterbury Finance; the company entered receivership yesterday morning, and as the front page of any news paper today will tell you, the Government has stepped in under the Deposit Guarantees Act to backstop deposits and isolate any fallout for the broader economy. The Government has gone beyond its duty in order to become the first-ranked creditor, allowing greater flexibility in managing the assets it has taken over; basically this prevents a fire sale, limiting fallout on the price of other assets in the economy. As cash is returned to depositors there will likely be increased consumer activity in the short term which, ironically, is a good thing, and as the balance of the deposits are re-invested in more efficient assets over the medium term, it will contribute more to growth than it would have had it remained locked up in SCF. The other positive is that this is likely the last Finance company to go bust for this cycle and will close the door on this particularly checkered chapter in New Zealand history, freeing the country up to move on to bigger and better things.

The Kiwi has been shunned directly as a result of the failure; against the US\$ the Kiwi is down about 1.5 cents since before the announcement yesterday morning (although most major currencies have fallen against the US\$ as well). The Aussie has fallen about half a cent against the US\$ leaving the NZDAUD cross to push into the mid-0.78's this morning. So far the Government has acted swiftly, transparently and commendably with SCF and it seems the impact to the economy will be minimised. The RBNZ will go on hold until the dust settles; ratings agency S&P released a statement yesterday confirming the current AAA rating for New Zealand.

Looking ahead to the day and we have AU GDP out at 1.30 this afternoon; the market is expecting Australia to have expanded 0.9% in the second quarter and 2.8% for the year. Yesterdays AU building approvals and retail sales data both came in better than expected, boosting the AUD and contributing to the softness in the NZDAUD cross.

The failure of SCF has pushed the NZDAUD down; eyes on the RBNZ reaction.

