



CNS Treasury System

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Foreign Exchange Outlook – 2nd July 2010

NZD Crosses

NZDUSD

Rate	0.6879
Change	0.0053
% Change ▲	0.77%

NZDAUD

Rate	0.8152
Change	0.0045
% Change ▲	0.55%

NZDEUR

Rate	0.5490
Change	0.0092
% Change ▼	1.67%

NZDJPY

Rate	60.25
Change	0.12
% Change ▼	0.20%

NZDGBP

Rate	0.4529
Change	0.0039
% Change ▼	0.86%

Majors

EURUSD

Rate	1.2480
Change	0.0301
% Change ▲	2.41%

USDJPY

Rate	87.24
Change	0.83
% Change ▼	0.95%

AUDUSD

Rate	0.8401
Change	0.0020
% Change ▲	0.24%

Foreign Interest Rates

USD	0.25%
AUD	4.50%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	2.75%

Other Rates

NZDHKD	5.3633
NZDFJD	1.3638
NZDCAD	0.7287
NZDSGD	0.9589
NZDXPF	65.46
NZDTHB	22.23
NZDZAR	5.3117
NZDDKK	3.6185
NZDSEK	5.2648
90 Day Bill	2.76%

USD Weakens on Growth Outlook, NZD Bounces

The US Dollar weakened overnight as weaker than expected economic data weighed on the US growth outlook. The USD fell against most currencies with the NZD bouncing back towards .6900 after yesterday's drop towards .6800. Weaker than expected manufacturing data, falling home sales and more people claiming the unemployment benefit all cast a shadow over the second half economic performance of the US economy. The Institute for Supply Management's manufacturing gauge fell more than expected dropping to 56.2 for June down from 59.7 in May. A reading above 50.00 signals expansion. Sales of existing homes fell by 30% in May as the Government's first time home buyer grant had expired, however this grant has now been extended through to the end of September so may breathe a bit more life into the housing market, although clearly this market is still struggling without Government support.

The Euro was the biggest gainer in the currency markets reaching 1.2500 vs the USD its best level in two months as Banks within Europe needed less cash at the ECB's 6 day refinancing auction than anticipated. So a better Bank picture in Europe and a weaker US outlook all favoured the Euro. Longer term one cannot come up with too many reasons to buy the Euro but it may be in for a mild rerating as those who have bet on its demise square up some of those speculative trades.

The Kiwi benefited from the USD weakness bouncing back towards .6900 and close to .8200 vs the AUD. The Aussie has been out of favour in the last week as soft economic data cast a doubt over the Aussie Reserve Bank's six interest rate hikes. Given the rest of the world is still struggling to recover, the moves by the Australians seem to be too aggressive and the market is starting to wonder if Aussie interest rates will actually be cut in the months ahead. This has pressured the Aussie and by default the NZD, but not to the same extent.

NZD gains as doubts over AUD increase

