

NZD Crosses

NZDUSD

Rate 0.7089
Change 0.0140
% Change ▲ 1.98%

NZDAUD

Rate 0.7791
Change 0.0007
% Change ▼ 0.09%

NZDEUR

Rate 0.5532
Change 0.0053
% Change ▲ 0.95%

NZDJPY

Rate 59.86
Change 1.48
% Change ▲ 2.48%

NZDGBP

Rate 0.4587
Change 0.0059
% Change ▲ 1.28%

Majors

EURUSD

Rate 1.2758
Change 0.0131
% Change ▲ 1.03%

USDJPY

Rate 84.11
Change 0.42
% Change ▲ 0.50%

AUDUSD

Rate 0.9061
Change 0.0191
% Change ▲ 2.11%

Foreign Interest Rates

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

Other Rates

NZDHKD 5.5098
NZDFJD 1.3731
NZDCAD 0.7445
NZDSGD 0.9540
NZDXPF 65.97
NZDTHB 22.04
NZDZAR 5.1582
NZDDKK 3.6185
NZDSEK 5.1482
90 Day Bill 2.76%

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Foreign Exchange Outlook – 2nd September 2010

Spring Has Arrived

A strong result from Australian GDP and positive manufacturing data from the US and China yesterday gave a big green light to risk buyers overnight, marking a very sharp change in sentiment from just a few days ago; the Nikkei rose 1.2% (after falling over 3% on Tuesday following the disappointing Bank of Japan meeting), stocks across Europe generally rallied around 3 to 3.5% and the S&P is currently up 3% as well. Some good news for New Zealand as well with prices at Fonterra's milk auction up 16.9% on average; with Fonterra accounting for around a quarter of NZ's exports, the dairy windfall looks set to continue.

In the currency markets; the Kiwi has strongly bounced from dips under 0.70 yesterday morning, it is up 1.5 cents to trade just above 0.71 today. We note that recent attempts under 0.70 on the NZDUSD have been short lived despite ample reasons for risk shakeouts (e.g. South Canterbury Finance). This suggests we may not see dips as deep as what we experienced just a few months ago; exporters hoping for the mid-6's might need to revise up expectations for the next couple of quarters. Following yesterday's positive GDP data the Aussie has produced an impressive run against the US\$ climbing 2 cents to almost 0.91. The NZDAUD cross remains little changed overnight in the low 0.78's; this level of the cross rate and Australia's strong economy are clear positives for New Zealand.

The Australian economy grew 1.2% in the second quarter, outstripping the 0.9% expected. This takes annual growth to 3.3%, the fastest pace in 3 years. Any way you cut it this is a very strong result for Australia, particularly given the precarious climate of the second quarter. The Aussie trade balance is released at 1.30 today. Also contributing to the good run for the Aussie dollar yesterday was a manufacturing index from China which showed an expansion in August. In the States; the ISM manufacturing survey also showed manufacturing expanded against expectations of further contraction, encouragingly the employment component of the survey was particularly bullish offering a note of hope ahead of Friday nights highly anticipated non-farm payrolls data. The ISM numbers were even enough to ward off a disappointing ADP employment survey which showed a loss of 10k jobs in August vs. a gain of 15k expected.

Strong commodity prices will continue to underpin the NZD

