



**CNS Treasury System**

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**Foreign Exchange Outlook – 3rd August 2010**

**NZD Crosses**

**NZDUSD**

Rate	0.7294
Change	0.0071
% Change ▲	0.97%

**NZDAUD**

Rate	0.7990
Change	0.0023
% Change ▲	0.29%

**NZDEUR**

Rate	0.5535
Change	0.0006
% Change ▲	0.11%

**NZDJPY**

Rate	63.02
Change	0.73
% Change ▲	1.15%

**NZDGBP**

Rate	0.4588
Change	0.0015
% Change ▼	0.33%

**Majors**

**EURUSD**

Rate	1.3115
Change	0.0107
% Change ▲	0.81%

**USDJPY**

Rate	86.10
Change	0.20
% Change ▲	0.23%

**AUDUSD**

Rate	0.9088
Change	0.0062
% Change ▲	0.68%

**Foreign Interest Rates**

<b>USD</b>	0.25%
<b>AUD</b>	4.50%
<b>GBP</b>	0.50%
<b>EUR</b>	1.00%
<b>JPY</b>	0.10%
<b>NZD</b>	2.75%

**Other Rates**

<b>NZDHKD</b>	0.9444
<b>NZDFJD</b>	0.9299
<b>NZDCAD</b>	113.3747
<b>NZDSGD</b>	0.0483
<b>NZDXPF</b>	0.69
<b>NZDTHB</b>	0.57
<b>NZDZAR</b>	0.0000
<b>NZDDKK</b>	0.0000
<b>NZDSEK</b>	% Change

<b>90 Day Bill</b>	2.76%
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**Locals Up; RBA at 4:30 Today**

A surge in US equity markets lead Kiwi and Aussie buyers back into play last night; Americas ISM manufacturing survey is the first data for some time to beat market expectations, also a separate survey showing construction spending is expanding at a modest pace positively surprised. The ISM manufacturing gauge fell from 56.2 to 55.5, beating expectations of 54.5 (greater than 50 signals expansion). Not so bullish was the ISM 'new orders' index, considered to be a leading indicator, which declined to a one-year low. US stocks are up over 2% this morning, the Kiwi and Aussie both added half a cent against the US\$ and the NZDAUD cross is steady just above 0.80 ahead of this afternoons RBA announcement (4:30pm).

Some positive earnings data from European Banks sparked a move toward risk before the US had opened; HSBC and BNP Paribas results exceeded expectations which saw most European stock markets up between 2.5 and 3 percent. The Pound was a particularly strong performer overnight rising about 1.2% against the US\$, outstripping the Kiwis gains leaving the NZDGBP rate a touch softer around 0.46. The Euro too was up against the US\$ but only by around the same margin as the Kiwi leaving the NZDEUR cross flat but still at importer-friendly levels.

It seems the economic headwinds have been increasing of late for the US, data has tended to disappoint expectations and the tone from the Fed has been a slightly louder note of caution. Unemployment has been a particular point of pain for the States, stubbornly holding around 9.5 to 10% for the last 12 months. The next non-farms update is on Friday night. We saw a slightly more dovish stance from the RBNZ last week, we are expecting the RBA to have softened their view from last month and as we say it seems the data has tended to disappoint recently; stocks, commodities and local currencies have all enjoyed a rally of late, we would not be surprised if the markets went the way of the softer cues and wound back expectations.

**The Kiwi remains attractive to Importers even as the RBNZ and data flows pare back**

