



CNS Treasury System

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Foreign Exchange Outlook – 4th August 2010

NZD Crosses

NZDUSD

Rate	0.7321
Change	0.0027
% Change ▲	0.37%

NZDAUD

Rate	0.8012
Change	0.0022
% Change ▲	0.27%

NZDEUR

Rate	0.5533
Change	0.0002
% Change ▼	0.04%

NZDJPY

Rate	62.82
Change	0.20
% Change ▼	0.32%

NZDGBP

Rate	0.4591
Change	0.0003
% Change ▲	0.07%

Majors

EURUSD

Rate	1.3175
Change	0.0060
% Change ▲	0.45%

USDJPY

Rate	85.47
Change	0.64
% Change ▼	0.75%

AUDUSD

Rate	0.9098
Change	0.0011
% Change ▲	0.12%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.6815
NZDFJD	1.3901
NZDCAD	0.7491
NZDSGD	0.9882
NZDXPF	65.98
NZDTHB	23.49
NZDZAR	5.3056
NZDDKK	3.6185
NZDSEK	5.1740

90 Day Bill	2.76%
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RBA Confident as Clouds Gather in US plus Special Report

The Kiwi and Aussie have risen overnight following yesterdays forward-talking RBA interest rate announcement; the Kiwi is up to trade in the mid 0.73's against the USD this morning, the Aussie is back testing recent highs in to low US\$0.91's while the NZDAUD cross is slightly up from yesterday morning following some soft Aussie economic data released pre-RBA yesterday (discussed below). The Euro and Pound continued their advance against the US\$ overnight, the Pound has now climbed against the US\$ for 9 days straight, its longest winning streak 18 years.

At yesterdays RBA announcement Governor Glenn Stevens held rates steady at 4.50%, as widely expected. The accompanying text shone a positive light on the prospects of Australia, as they tend to do, although Mr. Stevens did cite enough red flags in the global economy to leave rates on hold, we expect the RBA to remain on hold for the rest of the year. The Aussie had fallen pre-announcement as a report showed Aussie June building approvals declined 3.3% (+2.0% expected) and headline retail sales were +0.2% in June vs 0.4% expected (although excluding inflationary effect retail activity was up 0.8% vs 0.7% expected so slightly better there). Mr. Stevens expects "on trend" global growth for the coming year; given a recent turn down in many indicators, we think this may be optimistic.

The US was last night hit with another bout of poor data overnight: personal income measures were flat against expectations of a small rise, factory orders declined by more than forecast and pending home sales took a sharp fall. Pending home sales declined by 2.6% in June vs expectations of an increase of 4%. Annually, pending home sales are down 20.1% from a year ago, nearing the extent of the decline felt at the height of housing troubles late 2007. Former Fed Chairman Alan Greenspan warned just last week that just below current pricing sits a large amount of housing stock that would be "underwater" and foreclosed if the market declined much further. As these houses were liquidated, more pressure would come on prices and hence more houses would be underwater. This seems the biggest risk to the "double-dip" recession in the States and last night's data does nothing to ease those concerns. Last night US stocks declined up to half a percent and US2 year bond yields fell to just 0.53%, its lowest yield ever.

The NZDAUD cross will be supported as the RBA holds and the RBNZ hikes

