



**CNS Treasury System**

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Foreign Exchange Outlook – 6th August 2010

**NZD Crosses**

**NZDUSD**

Rate	0.7262
Change	0.0051
% Change ▼	0.70%

**NZDAUD**

Rate	0.7929
Change	0.0048
% Change ▼	0.60%

**NZDEUR**

Rate	0.5506
Change	0.0051
% Change ▼	0.92%

**NZDJPY**

Rate	62.28
Change	0.79
% Change ▼	1.26%

**NZDGBP**

Rate	0.4570
Change	0.0033
% Change ▼	0.72%

**Majors**

**EURUSD**

Rate	1.3130
Change	0.0028
% Change ▲	0.21%

**USDJPY**

Rate	85.42
Change	0.49
% Change ▼	0.57%

**AUDUSD**

Rate	0.9117
Change	0.0010
% Change ▼	0.11%

**Foreign Interest Rates**

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

**Other Rates**

NZDHKD	5.6354
NZDFJD	1.3785
NZDCAD	0.7383
NZDSGD	0.9827
NZDXPF	65.66
NZDTHB	23.22
NZDZAR	5.2495
NZDDKK	3.6185
NZDSEK	5.1573
90 Day Bill	2.76%

**NZ Unemployment See's Kiwi Down Sharply**

The Kiwi fell sharply following yesterdays NZ unemployment data; unemployment rose to 6.8% in Q2 according to yesterdays release by Stats NZ. The market was looking for something around 6.2%, mildly up from Q1's 6.0%. The data is not as dire as perhaps the headline suggests; most of the jobs lost were part time, full time employment actually rose slightly and hours worked increased slightly. Stats NZ wrote "the recent volatility in unemployment estimates is making it more difficult to interpret the results. The underlying or trend unemployment rate, which excludes seasonal and unexpected changes, can be used to help understand labour market conditions. At 6.7 percent, the trend unemployment rate has been relatively flat since September 2009". On balance, little has changed in the unemployment market for some time and the highly volatile headline number (which has fallen from a peak of 7%, then to 6% and now back to 6.8% over the last three quarters) exaggerates the fluctuations.

While a Kiwi in the high 0.72's is hardly a treat for US Exporters, the falls against the Aussie dollar put that pair under 0.80 and back in favor for AU Exporters. As you can see from today's chart; it has been several months since the rate was last under 0.80, a level that is broadly beneficial for Exporting to Australia. With the RBA firmly on hold for the remainder of this year and with the RBNZ still with a few hikes to come, the interest differential is set to narrow on this pair meaning the dips are likely to be shallower than they were 6 months ago when the market expected Australia to keep raising rates faster than New Zealand.

In other news; US initial jobs data showed a higher than expected number of first time claimants this week, causing nervousness ahead of tonight's highly anticipated US non-farm payrolls data, equities were softer and yields fell as cash sought the safety of bonds. The European Central Bank and Bank of England interest rate meetings passed without much fanfare, both policy makers chose to sit tight at present although the ECB has murmurings about potential exit strategy, perhaps next month's announcement will break the status quo.

Dips will be shallower as the RBA holds and the RBNZ hikes

