



**CNS Treasury System**

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Foreign Exchange Outlook – 7th September 2010

**NZD Crosses**

**NZDUSD**

Rate	0.7199
Change	0.0046
% Change ▲	0.64%

**NZDAUD**

Rate	0.7849
Change	0.0030
% Change ▲	0.38%

**NZDEUR**

Rate	0.5591
Change	0.0041
% Change ▲	0.73%

**NZDJPY**

Rate	60.61
Change	0.41
% Change ▲	0.67%

**NZDGBP**

Rate	0.4674
Change	0.0038
% Change ▲	0.81%

**Majors**

**EURUSD**

Rate	1.2823
Change	0.0014
% Change ▼	0.11%

**USDJPY**

Rate	83.83
Change	0.04
% Change ▲	0.05%

**AUDUSD**

Rate	0.9132
Change	0.0020
% Change ▲	0.22%

**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>	3.00%

**Other Rates**

<b>NZDHKD</b>	5.5902
<b>NZDFJD</b>	1.3707
<b>NZDCAD</b>	0.7451
<b>NZDSGD</b>	0.9682
<b>NZDXPF</b>	66.67
<b>NZDTHB</b>	22.38
<b>NZDZAR</b>	5.1885
<b>NZDDKK</b>	3.6185
<b>NZDSEK</b>	5.1883
<b>90 Day Bill</b>	2.76%

**Kiwi Outperforms; RBA at 4:30 this afternoon**

The NZD was one of the strongest performers overnight as it climbed about half a cent to sit in the low 0.72's against the US\$. The Aussie managed only a small gain against the US\$, the GBP and EUR are marginally softer if anything, leaving most NZD cross rates stronger this morning. The most notable mover is the NZDGBP which is up half a cent to just under 0.47 this morning, its highest in over a month. Slightly softer housing data for the UK (an index showed prices declined by 0.5% from July to August) triggered concern the Bank of England would revisit discussion for further quantitative easing which would further dilute the Pound.

The impact of the weekend's earthquake has been minimal given the magnitude; the only noticeable change has been in longer term bond yields that have pushed up slightly, 2-year interest rates (which are stronger barometers given their impact on mortgage rates) are relatively unchanged and the currency market has instead focused on the weekends US non-farm payrolls data and this afternoons Reserve Bank of Australia interest rate meeting. While the quake certainly puts the RBNZ on hold at this month's RBNZ meeting the rebuilding and restocking efforts will produce a boom for regional employment and retail sales. As we noted when the Kiwi last attempted to move under the 0.70 mark against the US\$ there seemed to be very little selling pressure on the Kiwi, the outright resilience following the earthquake is further evidence of underlying demand for the Kiwi.

The focus today will be on the RBA announcement at 4:30 this afternoon; the RBA is expected to leave rates on hold at 4.50% as the impact of earlier hikes is felt by consumers. Also the independent members of Australia's parliament are expected to deliver a verdict on their allegiance either today or perhaps tomorrow, most likely with Julia Gillard's Labour.

The NZDAUD has held up well considering the weekends quake; RBA at 4:30 this afternoon

