



CNS Treasury System

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Foreign Exchange Outlook – 8th September 2010

NZD Crosses

NZDUSD

Rate	0.7165
Change	0.0034
% Change ▼	0.47%

NZDAUD

Rate	0.7858
Change	0.0009
% Change ▲	0.11%

NZDEUR

Rate	0.5644
Change	0.0054
% Change ▲	0.95%

NZDJPY

Rate	60.05
Change	0.56
% Change ▼	0.93%

NZDGBP

Rate	0.4662
Change	0.0012
% Change ▼	0.26%

Majors

EURUSD

Rate	1.2641
Change	0.0181
% Change ▼	1.43%

USDJPY

Rate	83.48
Change	0.35
% Change ▼	0.42%

AUDUSD

Rate	0.9078
Change	0.0055
% Change ▼	0.60%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.5655
NZDFJD	1.3575
NZDCAD	0.7503
NZDSGD	0.9664
NZDXPF	67.30
NZDTHB	22.29
NZDZAR	5.1960
NZDDKK	3.6185
NZDSEK	5.2382

90 Day Bill	2.76%
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Euro Woes Curb Kiwi, RBA Holds

Fresh concerns over the state of European debt took the shine off the recent rally in the locals overnight; the Kiwi eased back a quarter-cent to sit right on 0.72 against the US\$ this morning. The Euro was the hardest hit currency against the US\$ as the spread between 10-year government debt in Ireland and Portugal, two familiar names on the list of troubled Euro economies, and Germany grew to its widest margin yet (remember that because this debt is all issued in Euro, the different interest rate on the same length debt basically reflects the markets fear an issuing nation will default).

The tumble in bond values put pressure on European Bank stocks as they are the largest holders of the suspect debt ; Euro-zone banks were already on watch following accusations they will need to add capital to weather additional shocks. US equity markets followed suit with a 1% decline and demand for 'risk' currencies eased. The Aussie is off about half a cent to just over US\$0.91 against the US\$ leaving the NZDAUD cross at 0.7900, marginally firmer than where we were yesterday before the Reserve Bank of Australia interest rate meeting.

Yesterdays RBA meeting saw interest rates remain on hold at 4.50% and gave little indication the RBA will change policy any time soon. The Board felt the current "setting ... to be appropriate for the time being". The RBA expects growth in China to ease back to a more sustainable level, growth in the US to face further headwinds, Aussie inflation to remain on the higher side of the allowable band and third quarter GDP to dip, offsetting the better than expected Q2 GDP and bringing growth back to trend. Also announced yesterday was that Julia Gillard now has enough support for Labour to lead, whether their marginal majority is enough to get the job done is another story. The next hurdle for Australia is the unemployment data due tomorrow. On balance; the RBA will remain on hold until prompted by higher than expected inflation of GDP. With the RBNZ expected to be on hold next week, but looking to raise rates again possibly toward the end of the year, the interest rate sensitive NZDAUD cross rate will continue to be well supported.

The NZDEUR has pushed up as the markets shun Euro-zone debt

