

NZD Crosses

NZDUSD

Rate	0.7295
Change	0.0033
% Change ▲	0.45%

NZDAUD

Rate	0.7925
Change	0.0004
% Change ▼	0.05%

NZDEUR

Rate	0.5486
Change	0.0020
% Change ▼	0.36%

NZDJPY

Rate	62.19
Change	0.09
% Change ▼	0.14%

NZDGBP

Rate	0.4527
Change	0.0043
% Change ▼	0.95%

Majors

EURUSD

Rate	1.3239
Change	0.0109
% Change ▲	0.82%

USDJPY

Rate	84.92
Change	0.50
% Change ▼	0.59%

AUDUSD

Rate	0.9165
Change	0.0048
% Change ▲	0.52%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.6622
NZDFJD	1.3852
NZDCAD	0.7490
NZDSGD	0.9826
NZDXPF	65.42
NZDTHB	23.30
NZDZAR	5.2417
NZDDKK	3.6185
NZDSEK	5.1441
90 Day Bill	2.76%

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CNS Treasury System

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Foreign Exchange Outlook – 9th August 2010

Kiwi Back Above US\$0.73 as Non-Farms Soften

The Kiwi was back up above 0.7300 over the weekend as non-farm payrolls dragged down the US\$. The Aussie was up as well, pushing through to fresh 4 month highs against the US\$, for a brief time trading as high as US\$0.9200. In fact, the US\$ was weaker right across the board, losing ground against the GBP and EUR as well, the Kiwi is slightly softer against each of these currencies this morning. In our view the markets are due for some sort of shake out as values for risky assets have not reflected the recent downturn in the economic data. While the US non-farms disappointment was evidently not the tipping point for a broad 'risk-off' move, we still see a move back towards 0.70, possible below, as a real risk for the Kiwi.

Non-farm payrolls showed the US shed 131k jobs in July, against expectations for a loss of 65k; the unemployment rate was flat at 9.5%. Also, the June data was revised down from -125k to -221k for altogether a rather disappointing result. Concern has recently been expressed by the US Fed that further action may be necessary to maintain the stability of the US economy, although with interest rates already at ultra low levels and an abundance of money locked inside the banking system it seems that perhaps the Fed have run out of bullets. The US is going to need a bigger fiscal spend to create real jobs and generate real sustainable growth.

In other news; further evidence the local housing market is cooling off, the QV house price Index released over the weekend showed that NZ houses gained 4.5% in value over the last 12 months, the slowest rate of growth this year. This coincides with an uptick in days to sell and a decline in turnover. The generally lower consumer activity in New Zealand is compounded as changes in the tax laws push investment properties onto the fragile market.

GDP has risen as costs are cut but will struggle as unemployment remains high

