

Rates as at 7.00am

**NZD Crosses**

**NZDUSD**

Rate	0.6830
Change	0.0023
% Change ▼	0.34%

**NZDAUD**

Rate	0.7870
Change	0.0013
% Change ▼	0.16%

**NZDEUR**

Rate	0.4992
Change	0.0008
% Change ▼	0.16%

**NZDJPY**

Rate	60.97
Change	0.28
% Change ▼	0.46%

**NZDGBP**

Rate	0.4370
Change	0.0004
% Change ▼	0.09%

**Majors**

**EURUSD**

Rate	1.3621
Change	0.0023
% Change ▼	0.17%

**USDJPY**

Rate	88.92
Change	0.09
% Change ▼	0.10%

**AUDUSD**

Rate	0.8637
Change	0.0015
% Change ▼	0.17%

**Foreign Interest Rates**

USD	0.25%
AUD	3.75%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	2.50%

**Other Rates**

NZDHKD	5.3083
NZDFJD	1.3163
NZDCAD	0.7319
NZDSGD	0.9714
NZDXPF	59.54
NZDTHB	22.61
NZDZAR	5.2651
NZDDKK	3.6185
NZDSEK	5.0487

<b>90 Day Bill</b>	2.76%
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**CNS Treasury System**

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Foreign Exchange Outlook – 9th February 2010

**Markets Quiet Overnight, NZ waits on Key Speech**

Financial markets were quiet overnight with the NZD little changed from last yesterday starting today around .6860 vs the USD and just above .7900 vs the AUD.

US shares were largely flat despite upgraded outlooks for the likes of Home Depot and Google as signs of life return to the US economy. However, gains were limited due to ongoing concerns about the effects of debt servicing costs in Europe, particularly Greece. Greece is expected to cut its annual budget deficit from -12.7% of GDP this year to under -3.0% by next year (-3.0% is the prescribed EU limit). This seems a huge ask and one wonders at what cost it will be to the Greek economy? Clearly such a reduction in Government spending or increase in taxes will weigh heavily on the economy and if such measures are repeated in Spain, Portugal and Ireland, the overall economic outlook for the Eurozone will remain poor. If the US economy can recovery quicker than Europe then this could weigh on the Euro as the year progresses.

In New Zealand today Prime Minister gives his opening speech to Parliament outlining how New Zealand will bridge the income gap to Australia. A range of tax changes are expected to underpin his economic transformation outline. Amongst the possible changes are higher GST, lower top personal tax rates and a lower company tax rate. However it is more likely we get changes to the deduction of depreciation on rental properties as well as the closing of some tax offset rules related to property as well. His speech has taken on more importance after Reserve Bank Governor Alan Bollard poured cold water on the idea of catching up to Australia in a TV interview on the weekend. Bollard has been pushing the Government to do more with Fiscal Policy so that Monetary Policy has less work to do.

