NZD Crosses

NZDUSD		
Rate		0.7190
Change		0.0025
% Change	▲	0.35%

NZDAUD		
Rate		0.7840
Change		0.0019
% Change	▼	0.24%

NZDEUR		
Rate		0.5653
Change		0.0009
% Change	▲	0.16%

NZDJPY		
Rate		60.31
Change		0.26
% Change	▲	0.43%

NZDGBP		
Rate		0.4648
Change		0.0014
% Change	▼	0.30%

Majors

EURUSD		
Rate		1.2668
Change		0.0027
% Change	▲	0.21%

USDJPY		
Rate		83.53
Change		0.05
% Change	▲	0.06%

AUDUSD		
Rate		0.9131
Change		0.0054
% Change	▲	0.59%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.5853
NZDFJD	1.3647
NZDCAD	0.7459
NZDSGD	0.9675
NZDXPF	67.40
NZDTHB	22.25
NZDZAR	5.1846
NZDDKK	3.6185
NZDSEK	5.2221
90 Day Bill	2.76%

Foreign Exchange Outlook – 9th September 2010

The Rose-Tinted Kiwi

Markets pared back concerns for European debt overnight allowing the local currencies to edge back up towards the recent highs set earlier in the week; the Kiwi is trading back above 0.72 this morning, not up quite as much as the AUD which sees the NZDAUD cross just duck back under 0.7900. The return of confidence for Europe was encouraged by a well bid Portuguese bond auction held last night, allying concern governments will struggle to raise cash. Logically you would have to assume that any fears of European sovereign default are overblown given the bailout for Greece still has most of its 3 years to run. If another nation did find itself in a position whereby it could not service debt then the ECB would simply extend the same facility to them, printing more money and accepting more suspect debt as collateral for cash loans. We note that the world has just gone through a mini-bout of risk aversion and the effect on the Kiwi has been very slight; we would not be surprised to see the Kiwi continue to move up and re-test 0.7350 in the nearer term, perhaps even a move beyond this before Christmas.

QV data released overnight showed house prices are up 3.1% on August last year; previously June prices were up 4.1%. With the recovery in New Zealand well stabilised it seems the greatest risk period for housing has passed with only little effect on price. As we head into spring, traditionally an active time for the property market, we are expecting demand to reemerge. The RBNZ, while not expected to hike interest rates, will likely give an upbeat diagnosis at next week's meeting and as the rebuild gets under way for Christchurch, this will effectively add a round of stimulus to the local economy, further boosting confidence.

Eyes today will turn to the Australian unemployment rate due out at 1.30 this afternoon, the rate is expected to decline from 5.3 to 5.2%. Demand for labour from the Mining sector has made Australia the poster child for employment; we note that the most recent trade balance data showed a large drop in coal and iron ore exports which reduces expectations for further strong employment gains in that sector.