



Foreign Exchange Outlook – 10th March 2010

NZD Crosses

NZDUSD

Rate	0.7000
Change	0.0036
% Change ▲	0.51%

NZDAUD

Rate	0.7655
Change	0.0002
% Change ▼	0.03%

NZDEUR

Rate	0.5145
Change	0.0035
% Change ▲	0.68%

NZDJPY

Rate	62.99
Change	0.10
% Change ▲	0.16%

NZDGBP

Rate	0.4667
Change	0.0046
% Change ▲	0.98%

Majors

EURUSD

Rate	1.3550
Change	0.0022
% Change ▼	0.16%

USDJPY

Rate	89.60
Change	0.34
% Change ▼	0.38%

AUDUSD

Rate	0.9104
Change	0.0047
% Change ▲	0.51%

Foreign Interest Rates

USD	0.25%
AUD	4.00%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	2.50%

Other Rates

NZDHKD	5.4319
NZDFJD	1.3424
NZDCAD	0.7174
NZDSGD	0.9790
NZDXPF	61.35
NZDTHB	22.85
NZDZAR	5.1598
NZDDKK	3.6185
NZDSEK	4.9800

90 Day Bill 2.76%

All Eyes on the NZ Reserve Bank

The NZ Dollar is slightly firmer against the USD and steady against the AUD ahead of tomorrow's interest rate review by the Reserve Bank. The March MPS (Monetary Policy Statement) is shaping up as one of the key financial events for 2010. The points we will be monitoring are as follows

Growth outlook - How upbeat is the Reserve Bank about the short term growth prospects?

Housing – Ironically the Reserve Bank is often obsessed with the strength in housing, but this time they may be fretting about a slowdown in housing after last years strong rebound.

Government – Whilst the Reserve Bank is not meant to comment on Fiscal Policy they will no doubt make some comments about the planned changes to the tax system and depreciation deductions for investor housing that are coming up in the May budget.

The MPS is released at 9.00am tomorrow and you can watch the webcast of the press conference, a link will be posted on the website tomorrow morning at www.rbnz.govt.nz

We expect the RBNZ to have an upbeat view of growth, with exporters to Australia leading the charge, helped in part by the most competitive NZDAUD cross rate in 10 years. With the Kiwi trading softer on a trade weighted basis than RBNZ forecasts, exports in general will be better performing than previous RBNZ expectations, resurgent overseas demand is also helping export volumes.

Whilst housing has been slow in January and February there are clear signs of a sharp increase in activity in March. The Government looks set to change the depreciation allowance for housing investment. This is a modest change and perhaps falls short of what the Reserve Bank had been looking for previously. The proposed increase in GST has the potential to bring forward some big ticket spending into Q3 rather than Q4, so this will increase the growth outlook in the short term.

All up, this leaves Monetary Policy as the main tool for controlling growth in the economy and leaves us with a June start to the interest rate cycle.

