

NZD Crosses

NZDUSD

Rate	0.7055
Change	0.0069
% Change ▼	0.97%

NZDAUD

Rate	0.7872
Change	0.0059
% Change ▼	0.75%

NZDEUR

Rate	0.5500
Change	0.0037
% Change ▼	0.67%

NZDJPY

Rate	60.60
Change	0.22
% Change ▼	0.36%

NZDGBP

Rate	0.4529
Change	0.0020
% Change ▼	0.44%

Majors

EURUSD

Rate	1.2771
Change	0.0048
% Change ▼	0.37%

USDJPY

Rate	85.56
Change	0.53
% Change ▲	0.62%

AUDUSD

Rate	0.8919
Change	0.0026
% Change ▼	0.29%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.4818
NZDFJD	1.3311
NZDCAD	0.7355
NZDSGD	0.9603
NZDXPF	65.59
NZDTHB	22.47
NZDZAR	5.1351
NZDDKK	3.6185
NZDSEK	5.2102
90 Day Bill	2.76%

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CNS Treasury System

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Foreign Exchange Outlook – 13th August 2010

Kiwi Down Again; Bank of Japan Warn Market

Markets were down against the US\$ last night although not with the same fervor of Wednesday; the Kiwi lost almost half a cent from yesterday afternoon and global equity markets are mildly down (about -0.50% on balance, compared with the 2.5-3.00% falls on Wednesday). The Euro and Pound edged south as well. Interestingly the Aussie managed to hold its ground against the US\$ last night, and with the weaker Kiwi, the NZDAUD cross has fallen back into the mid to low 0.79's this morning. In NZ today we see the release of REINZ housing data (10.00 am) and retail sales (10.45 am), two areas under pressure as households concentrate on paying down debt.

Aussie jobs data released yesterday afternoon did little to boost support for the locals; full time employment in Australia fell by 4.2k in July whilst the number of full time jobs added in June was revised from 18.4k down to 12.2k. Part time employment increased by 27.7k and the headline unemployment rate jumped to 5.3% against expectations it would remain flat at 5.1%. This again highlights the dual-economy challenge facing Australia; mining and exports to China provide a plethora of growth and opportunity for specific sectors of the Australian economy while interest rates and retracted consumer activity weigh heavily on other areas.

The Bank of Japan yesterday said they are closely monitoring the Yen as the strength of their currency, namely against the US\$ (and effectively against the Chinese Yuan) hurts exporters. Following a scheduled meeting between the Bank of Japan and the Trade Minister yesterday, the BOJ even went so far as to ring around the major banks looking for prices to Sell Yen Buy US Dollars; this move is designed to let the markets know that they are uncomfortable with the strength of the Yen, and are ready to transact if required. The last time the BOJ were active in the currency markets was in 2004 but they are notoriously active as far as Central Banks go, often using rhetoric like they did yesterday to 'jaw bone' down the Yen. So what does this mean for the NZDJPY? As can be seen from today's graph, rates close to 60 typically offer good value to those exporting to Japan. We would suggest that these levels may be as good as we will see for exporters, and if the BOJ have their way, we may not see them for too much longer.

