



**CNS Treasury System**

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Foreign Exchange Outlook – 14th July 2010

**NZD Crosses**

**NZDUSD**

Rate	0.7151
Change	0.0066
% Change ▲	0.92%

**NZDAUD**

Rate	0.8128
Change	0.0042
% Change ▲	0.51%

**NZDEUR**

Rate	0.5625
Change	0.0001
% Change ▼	0.02%

**NZDJPY**

Rate	63.24
Change	0.45
% Change ▲	0.71%

**NZDGBP**

Rate	0.4717
Change	0.0002
% Change ▲	0.04%

**Majors**

**EURUSD**

Rate	1.2659
Change	0.0121
% Change ▲	0.95%

**USDJPY**

Rate	88.08
Change	0.20
% Change ▼	0.23%

**AUDUSD**

Rate	0.8762
Change	0.0037
% Change ▲	0.42%

**Foreign Interest Rates**

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

**Other Rates**

NZDHKD	5.5584
NZDFJD	1.3882
NZDCAD	0.7389
NZDSGD	0.9837
NZDXPF	67.09
NZDTHB	23.06
NZDZAR	5.3768
NZDDKK	3.6185
NZDSEK	5.2924

90 Day Bill	2.76%
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**US Earnings Season Starts Well; Kiwi Jumps**

The locals are up sharply against the US\$ this morning, in fact, it was positive for risk right across the board last night with all the major currencies (bar Yen) pushing up against the US\$. Stock and commodity markets plowed up and bond prices fell. The rally actually began during NZ time yesterday morning with news that Aluminum giant Alcoa, the first major US Corporation to release earnings, beat the pessimists and announced earnings above market expectations. With so many investors eagerly awaiting guidance from the US corporate earnings season, Alcoa's canary in the coal mine positive result has encouraged cash back to risk. Also aiding sentiment was news that Greek banks were able to issue debt at a cost below 5% interest, a positive but perhaps spurious sign of stability. The Kiwi has slightly outperformed its peers in the rally leaving it slightly firmer on the cross rates, most notably against the AUD which has gained half a cent to sit above 0.8150 this morning.

We notice that the Kiwi is trading above the loose sideways/downwards band against the US\$ signaling that this pattern, which has held the Kiwi since October last year, may have drawn to a close. If the break of this pattern has not yet happened, eventually it will, and we expect the move to be up, reflecting the positive balance of risks for the Kiwi. As time passes New Zealand growth and stability looks more assured, milk prices have already lent credence to this and are expected to continue helping. Interest rates will gradually increase offering higher yields to holders of NZD and relative money supply differences will favor the Kiwi going forward. Not to say there won't be opportunities in store for Exporters, European Bank stress tests and possible corrections in China could easily help with that, but they may be quicker and shallower as time goes on.

It is a busy day today with REINZ data due to be released at 10.00 this morning and retail sales released at 10.45. Retail activity is expected to have increased by 0.50% in May, 0.6% excluding auto-related activity. This afternoon also sees Australian consumer confidence which has recently pulled back to just above neutral as Aussie interest rate hikes bite.

The Kiwi has risen above our 'Band' suggesting moves higher in the future

