



CNS Treasury System

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Foreign Exchange Outlook – 15th July 2010

NZD Crosses

NZDUSD

Rate	0.7197
Change	0.0046
% Change ▲	0.64%

NZDAUD

Rate	0.8146
Change	0.0018
% Change ▲	0.22%

NZDEUR

Rate	0.5650
Change	0.0025
% Change ▲	0.44%

NZDJPY

Rate	63.56
Change	0.33
% Change ▲	0.52%

NZDGBP

Rate	0.4717
Change	0.0000
% Change ▲	0.00%

Majors

EURUSD

Rate	1.2684
Change	0.0025
% Change ▲	0.20%

USDJPY

Rate	87.97
Change	0.11
% Change ▼	0.12%

AUDUSD

Rate	0.8796
Change	0.0034
% Change ▲	0.39%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.5922
NZDFJD	1.3851
NZDCAD	0.7438
NZDSGD	0.9887
NZDXPF	67.38
NZDTHB	23.20
NZDZAR	5.3749
NZDDKK	3.6185
NZDSEK	5.2914

90 Day Bill	2.76%
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Somber Fed Minutes Can't Stop Kiwi

Onwards and upwards again for the Kiwi last night, in fact, the Kiwi seems to be an outperformer given that US equities and the Aussie dollar have not put on an equally impressive performance. The Kiwi has added almost half a cent from yesterday's open to a high of almost 0.7250 overnight (sitting back off a touch from there this morning). The Aussie was relatively stagnant around yesterday's open allowing the NZDAUD to push back up toward 0.82. As we have mentioned previously; there is a risk that in Australia, inflation pressures may force the RBA to hike interest rates earlier than what is currently being expected by the market and this would put pressure on the NZDAUD cross rate. In this vein, importers may want to consider increasing cover on rallies such as this, perhaps including some Orders around 0.82 to take advantage of brief spikes up.

Keeping a cap on the bullish sentiment in the US were comments made in the Fed minutes released overnight; Fed officials agreed extra stimulus was not warranted while trimming back growth forecasts and recognising that risks to the downside have recently increased. US retail sales data lent to the soft side as well showing a 0.5% decline in June vs expectation of -0.3%. Countering this was an earnings announcement from Intel, the maker of processors found in 80% of the world's personal computers, which beat analyst estimates, pushing up the markets prior to the Fed minutes and retail sales data.

In local news; REINZ data released yesterday shows the number of homes sold in June declined 24.3% from the same time last year and the median days to sell a home rose to 45 days from 43 in May and 41 in June last year. Retail sales data was slightly more encouraging with a 0.4% increase from April to May although, ignoring Auto-related sales, activity declined 0.2% vs expectations of a 0.6% expansion. In Australia, consumer confidence rose a sharp 11% in July taking the index back up to 113. The index had previously been drifting back toward 100 after a high of 124 earlier this year as interest rate hikes pinch the pockets of consumers.

The NZDAUD is favourable to AUD importers but extra RBA hikes could put a stop to that

