



CNS Treasury System

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Foreign Exchange Outlook – 16th August 2010

NZD Crosses

NZDUSD

Rate	0.7026
Change	0.0029
% Change	▼ 0.41%

NZDAUD

Rate	0.7867
Change	0.0005
% Change	▼ 0.06%

NZDEUR

Rate	0.5503
Change	0.0003
% Change	▲ 0.05%

NZDJPY

Rate	60.54
Change	0.06
% Change	▼ 0.10%

NZDGBP

Rate	0.4495
Change	0.0034
% Change	▼ 0.75%

Majors

EURUSD

Rate	1.2714
Change	0.0057
% Change	▼ 0.45%

USDJPY

Rate	85.83
Change	0.27
% Change	▲ 0.31%

AUDUSD

Rate	0.8892
Change	0.0027
% Change	▼ 0.30%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.4603
NZDFJD	1.3545
NZDCAD	0.7318
NZDSGD	0.9577
NZDXPF	65.63
NZDTHB	22.35
NZDZAR	5.1256
NZDDKK	3.6185
NZDSEK	5.2206
90 Day Bill	2.76%

USD Strength Continues

The US dollar was stronger again over the weekend sending the Kiwi and Aussie dollars down slightly to around 0.7050 and 0.8925 respectively. Commodity and equity markets were roughly flat and the Euro and Pound are slightly softer. Several of the currencies we monitor all look to be coming off their highs against the US\$ as wobbly global data drives safety-seeking cash back into US\$; exporters should stand by for action should a more serious bout of strength appear for the US dollar.

Tomorrow night sees the much publicised meeting between the US Treasury and mortgage giants Fannie Mae and Freddie Mac, the government mandated institutions currently holding around half of US home mortgages. After the US Fed announced last week that they would wind down purchases of mortgage backed securities but continue to support the Government bond market with further purchases, rumors have been circulating that the Government would be ramping up support for housing (one idea has been for the government to forgive 10% of all mortgages via Fannie Mae and Freddie Mac). Given the fanfare surrounding tomorrow's meeting, many are expecting this to be a platform for President Obama to introduce any new measures, should the rumors come to fruition, this could be quite a game changer for the outlook of the US.

NZ retail sales data released on Friday morning was a pleasant surprise; retail activity in June expanded by 0.9% vs expectations of just 0.5%. Excluding the volatile category of Autos, retailing grew by 1.5%, also vs expectations of 0.5%. The boost has been attributed to store discounting and consumers making purchase decisions ahead of the GST hike. Looking ahead to the week we will see the release of RBA minutes tomorrow, NZ PPI on Thursday, UK retail activity on Thursday night and NZ card spending on Friday.

With confidence back to normal levels retail activity has continued to grow

