



CNS Treasury System

More info at <http://www.cnstreasury.com>

Foreign Exchange Outlook – 16th July 2010

NZD Crosses

NZDUSD

Rate	0.7249
Change	0.0052
% Change ▲	0.71%

NZDAUD

Rate	0.8225
Change	0.0079
% Change ▲	0.96%

NZDEUR

Rate	0.5607
Change	0.0043
% Change ▼	0.76%

NZDJPY

Rate	63.38
Change	0.19
% Change ▼	0.30%

NZDGBP

Rate	0.4692
Change	0.0025
% Change ▼	0.53%

Majors

EURUSD

Rate	1.2874
Change	0.0190
% Change ▲	1.48%

USDJPY

Rate	87.08
Change	0.89
% Change ▼	1.02%

AUDUSD

Rate	0.8776
Change	0.0020
% Change ▼	0.23%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.6336
NZDFJD	1.4016
NZDCAD	0.7530
NZDSGD	0.9958
NZDXPF	66.86
NZDTHB	23.33
NZDZAR	5.4636
NZDDKK	3.6185
NZDSEK	5.2694

90 Day Bill	2.76%
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Kiwi Jumps against USD and AUD

Big moves in the currency markets last night led by the Euro and Pound which bolted up against the US dollar, the Kiwi has rallied strongly against the weaker US\$ climbing a further half cent to 0.73 but losing ground on the NZDEUR and NZDGBP cross rates. The Kiwi outperformed a struggling Aussie which sees the NZDAUD cross rocket to 0.8250, its highest level since a brief push toward 0.83 in September last year. Oddly enough European and Asian share markets fell and US share markets remain relatively flat despite the performance of the currencies. NZ CPI is due at 10.45 this morning; prices are expected to have increased 0.4% in Q2 and at an annual rate of 1.9%.

Driving the move out of the US dollar and into the Euro and Pound was weaker US manufacturing data, compounding current concerns of a cooling consumer climate in the US, while in Europe, high demand at a Spanish government bond issue overnight did something to sooth fears and left the Euro looking like the best of a bad bunch. The Empire State manufacturing survey declined to 5 vs expectations of 18, showing a pessimistic outlook for US production. The Euro leapt over 1.5% against the US\$ to trade at its highest level since May, pushing up the Pound and Kiwi along with it.

It seems Australia's affinity towards Chinese growth may have counted it out of last night's move, softer than expected Chinese GDP and inflation data released yesterday meant that the Aussie has remained flat against the US\$ overnight and made way for the Kiwi to gain on the NZDAUD cross. Chinese GDP showed annualised growth at 10.3% in the second quarter, mildly softer than the 10.5% expected while inflation ran at 6.4% against expectations of 6.8%. Ironically the mildly softer data is probably a good thing for Australia; it is better if the Chinese bubble deflates slowly rather than continue with rampant growth only to burst in one cataclysmic mess.

The Kiwi seized the opportunity to push higher overnight

