



**CNS Treasury System**

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Foreign Exchange Outlook – 17th August 2010

**NZD Crosses**

**NZDUSD**

Rate	0.7043
Change	0.0017
% Change ▲	0.24%

**NZDAUD**

Rate	0.7849
Change	0.0018
% Change ▼	0.23%

**NZDEUR**

Rate	0.5494
Change	0.0009
% Change ▼	0.16%

**NZDJPY**

Rate	60.08
Change	0.46
% Change ▼	0.76%

**NZDGBP**

Rate	0.4499
Change	0.0004
% Change ▲	0.09%

**Majors**

**EURUSD**

Rate	1.2765
Change	0.0051
% Change ▲	0.40%

**USDJPY**

Rate	84.97
Change	0.86
% Change ▼	1.01%

**AUDUSD**

Rate	0.8932
Change	0.0040
% Change ▲	0.45%

**Foreign Interest Rates**

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

**Other Rates**

NZDHKD	5.4748
NZDFJD	1.3570
NZDCAD	0.7351
NZDSGD	0.9586
NZDXPF	65.52
NZDTHB	22.35
NZDZAR	5.1098
NZDDKK	3.6185
NZDSEK	5.1846
90 Day Bill	2.76%

**NZDAUD Cross Down Again; Obama Tonight**

The markets remained wary of risk again last night with US stock markets heading slightly south, gold prices rising and yields on government bonds edging down as cash flocks to safety; US 10-year interest rates were the most notable mover with the yield falling to just 2.57%, their lowest return since March last year. The local currencies did not participate in the broad move lower and were instead supported by a glowing report on the outlook for commodities released by a major bank overnight. The positive view does not tie in with the recent turn down in manufacturing activity or the particularly patchy outlook for global growth, although good news has been rare this past week and the report was enough to lift the Kiwi over half a cent from yesterday's push down to 0.7000; currently the Kiwi sits just above 0.7050 against the US\$.

The initial drive to US\$0.7000 was triggered by an exceptionally poor Japanese GDP read; Q2 GDP expanded at 0.1% against expectations of 0.6%, annualized this is 0.4% vs expectations of 2.3%. The result was weaker than all estimates by major banks. Also on the radar this evening is the much talked about meeting between the US Treasury and Mortgage giants Fannie Mae and Freddie Mac; this has been tipped as the platform for a major announcement by President Obama.

The NZDAUD cross slid lower overnight (as the Aussie dollar got a bigger boost from the commodity story) and is currently sitting just below 0.7900, a rate that has historically been good value for Exporters. RBA minutes (released at 1:30 this afternoon) are expected to reiterate the markets view the RBA will be on hold for at least the rest of the year; this stance should be supportive of the NZDAUD cross as the RBNZ looks to add several more hikes in the current cycle (current market expectation). Also we notice that as Australia heads to the polling booths this weekend to decide the outcome of the election, the apparent risk of a hung parliament in Australia is larger than what is currently being priced in to the currency markets. Exporters should be taking advantage of these pushes down to keep topping up cover levels; as you can see from the today's graph, the bottoms tend to be brief for this currency pair.

**The current NZDAUD rate offers and opportunity to top up Export cover**

