



**CNS Treasury System**

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**Foreign Exchange Outlook – 18th August 2010**

**NZD Crosses**

**NZDUSD**

Rate	0.7095
Change	0.0052
% Change ▲	0.73%

**NZDAUD**

Rate	0.7835
Change	0.0015
% Change ▼	0.19%

**NZDEUR**

Rate	0.5508
Change	0.0014
% Change ▲	0.25%

**NZDJPY**

Rate	60.65
Change	0.57
% Change ▲	0.94%

**NZDGBP**

Rate	0.4554
Change	0.0055
% Change ▲	1.20%

**Majors**

**EURUSD**

Rate	1.2825
Change	0.0061
% Change ▲	0.47%

**USDJPY**

Rate	85.14
Change	0.17
% Change ▲	0.20%

**AUDUSD**

Rate	0.9016
Change	0.0084
% Change ▲	0.93%

**Foreign Interest Rates**

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

**Other Rates**

NZDHKD	5.5128
NZDFJD	1.3581
NZDCAD	0.7328
NZDSGD	0.9602
NZDXPF	65.70
NZDTHB	22.45
NZDZAR	5.1421
NZDDKK	3.6185
NZDSEK	5.1765

90 Day Bill	2.76%
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**Markets Bounce; What to do About America?**

A rally in global equities overnight has renewed risk appetite in the currency markets; with stock markets up between 1.5 and 2% across Europe and the US, the Kiwi gained about half a cent against the Greenback to sit in the low 0.71's this morning. The rally comes following successful debt auctions for Ireland and Spain held overnight, also mining giant BHP made a US\$39 billion offer for the world's largest fertilizer producer Potash Corp, a timely spark of life for the market. The Aussie dollar also rebounded against the US\$ (the BHP offer ensured commodity related shares were some of the strongest performers overnight) is keeping the NZDAUD under 0.79; exporters to Australia can currently achieve forward cover rates under 0.8000 right out to Christmas.

It seems the recent tumble in the currency markets may have been a case of to far too fast, and as a result, we are seeing a correction of the recent falls. The global outlook remains patchy with few signs of a significant return to growth from the major economies and few viable plans to turn those fortunes around. We see the current rate on the Kiwi more as an opportunity for Importers to top up cover and expect to see better opportunities for exporters over the coming weeks.

The much anticipated meeting between the US Treasury and Fannie Mae and Freddie Mac turned out to be more of a talk fest than the bold resolution many (including ourselves) were hoping for. The US Government appears to be an administration out of ideas. One good suggestion made by Bill Gross, managing Director of mega bond fund Pimco, was that the Government could stimulate the housing market by refinancing all mortgages at the current, super low rates. Mr. Gross estimates this would put US\$50 to US\$60 billion dollars directly back into the pockets of households in the form of reduced mortgage payments, money that would directly benefit consumers, and could see house prices rise 10% as foreclosures drop. There is no question that the mantle has fallen on the Government to resuscitate the economy now the Fed has nearly exhausted all means of support; all we need now is action.

**Rising defaults and no activity: America needs a solution to the housing problem**

