



CNS Treasury System

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

Foreign Exchange Outlook – 19th August 2010

NZD Crosses

NZDUSD

| | |
|------------|--------|
| Rate | 0.7122 |
| Change | 0.0028 |
| % Change ▲ | 0.39% |

NZDAUD

| | |
|------------|--------|
| Rate | 0.7919 |
| Change | 0.0085 |
| % Change ▲ | 1.07% |

NZDEUR

| | |
|------------|--------|
| Rate | 0.5538 |
| Change | 0.0030 |
| % Change ▲ | 0.54% |

NZDJPY

| | |
|------------|-------|
| Rate | 60.86 |
| Change | 0.21 |
| % Change ▲ | 0.34% |

NZDGBP

| | |
|------------|--------|
| Rate | 0.4564 |
| Change | 0.0010 |
| % Change ▲ | 0.22% |

Majors

EURUSD

| | |
|------------|--------|
| Rate | 1.2808 |
| Change | 0.0018 |
| % Change ▼ | 0.14% |

USDJPY

| | |
|------------|-------|
| Rate | 85.12 |
| Change | 0.02 |
| % Change ▼ | 0.02% |

AUDUSD

| | |
|------------|--------|
| Rate | 0.8955 |
| Change | 0.0061 |
| % Change ▼ | 0.68% |

Foreign Interest Rates

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

Other Rates

| | |
|-------------|--------|
| NZDHKD | 5.5307 |
| NZDFJD | 1.3587 |
| NZDCAD | 0.7324 |
| NZDSGD | 0.9616 |
| NZDXPF | 66.04 |
| NZDTHB | 22.44 |
| NZDZAR | 5.1558 |
| NZDDKK | 3.6185 |
| NZDSEK | 5.2127 |
| 90 Day Bill | 2.76% |

Kiwi Up Across the Board

The Kiwi was up again last night except this time it was not just against the US\$; the Kiwi has risen against the Pound, Euro and Yen overnight, but most notably against the Aussie dollar where the Kiwi has climbed a full cent to trade in the mid 0.79's this morning. Both the Kiwi and Aussie were initially strong risers against the US Dollar last night (the Kiwi at one stage trading all the way up to just shy of 0.72) although the Aussie dollar was unable to hold its gains ahead of this weekend's big election and as a result has seen the NZDAUD cross rebound strongly from the lows.

We also note that expectations for future RBA announcements have been wound down. After the last RBA meeting the market expected no more hikes this year. Following the minutes from that meeting (released earlier this week), where the RBA said they were 'comfortable' with the current rate level, those expectations for hikes has been pushed out until the second half of next year. This has softened the appeal of the Aussie as a yield currency, but also, has flattened the slope of the NZDAUD curve in 2011 meaning local Exporters to Australia will not have to pay away so much in Forward points on longer-dated cover. Unfortunately for Exporters this also means dips on the NZDAUD cross are generally less likely to be as severe as we have seen in the last year as the RBNZ gradually narrows the interest rate gap.

In other news; minutes from the Bank of England released last night showed members voted 8-1 to keep benchmark interest rates at 0.50%, the dissenting vote again was from Andrew Sentence who voted for a hike. Interestingly though; all members voted against further bond purchases (quantitative easing). We note that the UK, like its US counterpart, will have very low interest rates for the next 2 to 3 years at least which will contribute to a structural weakness in these currencies for some time into the future.

The NZDAUD has rebounded from the lows ahead of this weekends election

