

NZD Crosses

NZDUSD

Rate 0.7127
Change 0.0098
% Change ▲ 1.37%

NZDAUD

Rate 0.8070
Change 0.0013
% Change ▼ 0.16%

NZDEUR

Rate 0.5528
Change 0.0100
% Change ▲ 1.80%

NZDJPY

Rate 62.33
Change 1.31
% Change ▲ 2.11%

NZDGBP

Rate 0.4664
Change 0.0052
% Change ▲ 1.11%

Majors

EURUSD

Rate 1.2837
Change 0.0059
% Change ▼ 0.46%

USDJPY

Rate 87.10
Change 0.65
% Change ▲ 0.74%

AUDUSD

Rate 0.8794
Change 0.0135
% Change ▲ 1.54%

Foreign Interest Rates

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

Other Rates

NZDHKD 5.5415
NZDFJD 1.3781
NZDCAD 0.7447
NZDSGD 0.9788
NZDXPF 65.92
NZDTHB 22.95
NZDZAR 5.3707
NZDDKK 3.6185
NZDSEK 5.2341
90 Day Bill 2.76%

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Foreign Exchange Outlook – 21st July 2010

Kiwi Pushed Up by RBA and China Comments

The whippy sideways trading continues for the local currencies with both the Kiwi and Aussie dollars gaining swiftly against the US\$ last night; the Kiwi has added a full cent to trade in the mid 0.71's this morning. The Aussie has clawed back similar ground to trade just above 0.8800, leaving the NZDAUD cross at the lower end of its recent range just above 0.8100. NZ migration data is due to be released at 10.45 this morning.

The rally began yesterday afternoon with the release of RBA minutes and a speech from Governor Glenn Stevens. While Stevens' shied away from comments directly on interest rates he did note that inflation is near the upper level of the 2-3% band (next inflation update in 1 week) and that emerging market growth continues to perform strongly, countering sluggish growth in developed nations. Stevens said he will weigh up the next inflation update with the European Bank stress tests due to be released this week to decide on further moves. As we said yesterday, the European beurocrats will spin the results to look as positive as possible and the inflation data will likely breach the upper band, perhaps coaxing (erroneously in our view) the RBA into further hikes later this year.

Also boosting demand for the locals were comments by a Chinese research institute that noted that the tighter monetary policy implemented earlier this year has taken effect, slowing growth and property speculation and therefore the Government has room to soften their tightening stance going forward. Softer monetary policy is good for growth and growth equals demand from the raw materials supplied by Australia and New Zealand hence the demand for the local currencies overnight.

Evidence of a double dip in the US continues to build with last night's New Homes starts disappointing market expectations. Ground was broken on 549k new homes in the year to June against expectations of 577k. Starts were down 5% on the previous month against expectations of -2.7% but the number of building permits issued was slightly better than expected at 586k vs 575k. While this data will be hampered by the expiry of the tax credit for first time buyers there is some concern that this weaker pattern has been observed across retail sales and confidence figures as well which does not bode well for growth.

Concerns of a double dip recession grow as US consumer confidence and housing activity languish

