



CNS Treasury System

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Foreign Exchange Outlook – 23rd August 2010

NZD Crosses

NZDUSD

Rate 0.7082
Change 0.0020
% Change ▼ 0.28%

NZDAUD

Rate 0.7984
Change 0.0026
% Change ▲ 0.33%

NZDEUR

Rate 0.5575
Change 0.0036
% Change ▲ 0.65%

NZDJPY

Rate 60.61
Change 0.05
% Change ▼ 0.08%

NZDGBP

Rate 0.4557
Change 0.0003
% Change ▲ 0.07%

Majors

EURUSD

Rate 1.2758
Change 0.0120
% Change ▼ 0.94%

USDJPY

Rate 85.93
Change 0.19
% Change ▲ 0.22%

AUDUSD

Rate 0.8907
Change 0.0058
% Change ▼ 0.65%

Foreign Interest Rates

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

Commodities

Oil

Price 73.43
% Change ▼ 1.09%

Gold

Price 1226.95
% Change ▼ 0.39%

90 Day Bill 2.76%

Hung Parliament Drives Currencies Lower

No clear winner in the Australian election race has seen the local currencies open sharply lower this morning; after a weak Friday night the Aussie was marked down a further half cent against the US\$ on the open to around 0.8850, the Kiwi has been dragged down almost half a cent as well to around US\$0.7050 pushing the NZDAUD cross up to 0.7950.

Neither Julia Gillard's Labour or Tony Abbotts Liberal Party has won enough seats to form a government outright so a coalition will form (expected over the next few days) as the independents bargain their allegiance. The air of uncertainty has taken its toll on the Aussie already this morning; the NZDAUD cross is likely to be supported at least until the new government is formed, particularly should some of the more controversial election promises need to be tweaked to woo Independent support.

Regardless of the election we would have expected some weakness to flow through to the local currencies as the Euro and global equities both headed south over Friday nights trading. Generally the underlying trend in the markets continues to be a gradual shift away from risk and into safe haven assets, hence the outperformance of the US\$ and Yen over the past few weeks, and the outperformance of bonds over equities. Looking ahead this week we have US existing home sales out Tuesday night and US new home sales on Wednesday night, both of these measures have made headlines for the wrong reasons recently as a fresh wave of weakness hits the US housing market. Finally on Friday is the second reading of US 2Q GDP.

The NZDAUD will remain supported as Australia hammers out a new Government

