



CNS Treasury System

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

Foreign Exchange Outlook – 23rd July 2010

NZD Crosses

NZDUSD

Rate	0.7216
Change	0.0125
% Change ▲	1.73%

NZDAUD

Rate	0.8069
Change	0.0003
% Change ▼	0.04%

NZDEUR

Rate	0.5596
Change	0.0036
% Change ▲	0.64%

NZDJPY

Rate	62.69
Change	1.02
% Change ▲	1.62%

NZDGBP

Rate	0.4724
Change	0.0048
% Change ▲	1.01%

Majors

EURUSD

Rate	1.2832
Change	0.0131
% Change ▲	1.02%

USDJPY

Rate	86.56
Change	0.12
% Change ▼	0.14%

AUDUSD

Rate	0.8899
Change	0.0153
% Change ▲	1.72%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.6093
NZDFJD	1.3887
NZDCAD	0.7492
NZDSGD	0.9908
NZDXPF	66.78
NZDTHB	23.22
NZDZAR	5.3238
NZDDKK	3.6185
NZDSEK	5.2691

90 Day Bill	2.76%
-------------	-------

Kiwi Surges as Data Defies Bernanke

The Kiwi has jumped a full 1.5 cents against the US\$ overnight as better than expected profit forecasts for some US corporations and a lick of positive data out of Europe, the US and the UK persuaded the market to overlook yesterday's warning by Ben Bernanke that the recovery may be coming unstuck. The Aussie has jumped 1.5 cents as well, trading up nearly 2 cents against the US\$ at one stage overnight, the Euro and Pound also rallied strongly but stayed under previous weeks highs. As a result, the Kiwi has jumped up on the NZDGBP and NZDEUR crosses (attractive enough levels for importers to consider taking some action) and the NZDAUD has remained steady in the low 0.81's. In equities, many European bourses were up over 2.5% overnight and US stocks are currently up over 2%.

As for the positive data released overnight; UK retail sales showed a 1% lift in June vs expectations of 0.6%, Euro-zone consumer confidence lifted to -14 vs forecasts it would remain flat at -17. In the US, existing home sales were not quite as dire as expected at 5.37 million in the year to June against expectations of 5.10 million.

Bernanke's comments yesterday that we are in 'unusually uncertain' times seem to sum up the particularly whippy, directionless trading we are seeing at the moment, but looking ahead there are a few things that may help clear the view. First up, the results of the European bank stress tests are due to be released over the weekend, any positive report back on the state of the financial system would encourage cash back to the region making today's import-friendly NZDGBP and NZDEUR rates all the more attractive. Later next week we will hear from our own Reserve Bank who is expected to deliver a quarter-point hike and also we have the highly anticipated AU inflation update next Wednesday, an important factor in the RBA decision due early August. These are exciting but 'unusually uncertain' times.

The NZDEUR has pushed back up ahead of the Stress Test results

