

## NZD Crosses

## NZDUSD

Rate	0.6282
Change	0.0124
% Change ▼	1.97%

## NZDAUD

Rate	0.7962
Change	0.0007
% Change ▲	0.09%

## NZDEUR

Rate	0.4527
Change	0.0062
% Change ▼	1.36%

## NZDJPY

Rate	60.24
Change	1.34
% Change ▼	2.23%

## NZDGBP

Rate	0.3839
Change	0.0039
% Change ▼	1.01%

## Majors

## EURUSD

Rate	1.3816
Change	0.0085
% Change ▼	0.61%

## USDJPY

Rate	95.56
Change	0.21
% Change ▼	0.22%

## AUDUSD

Rate	0.7853
Change	0.0162
% Change ▼	2.07%

## Foreign Interest Rates

USD	0.25%
AUD	3.00%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	2.50%

## Other Rates

NZDHKD	4.8683
NZDFJD	1.3050
NZDCAD	0.7235
NZDSGD	0.9163
NZDXPF	53.99
NZDTHB	21.38
NZDZAR	5.1150
NZDDKK	3.3700
NZDNOK	4.1080

90 Day Bill	2.81%
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Foreign Exchange Outlook – 23 June 2009

## CNS Treasury System

More info at <http://www.cnstreasury.co.nz/>

## Commodity Currencies Slip on Oil's Spill

Very poor performance across the board last night with falls in commodity markets leading the charge. Oil was the main culprit as it shot down US\$3.50 (5%) to sit around US\$67 per barrel this morning and Gold fell sharply too; the precious metal dropped US\$12 (2%) to US\$922. Stock markets were not without their own impressive falls - the Dow Jones is currently down 2.40% and the S&P is currently down 3.1% (financials are down 5.8% and commodity stocks are down 6.5%). Such poor performance from commodity markets of course flowed through to the local currencies, particularly the Aussie which fell over 1.5 cents to under 0.79 against the US dollar. With slightly less exposure to the poor performance of gold the Kiwi managed to climb to sit just through 0.80 against the Aussie this morning although it is down 1.3 cents to 0.63 on the Greenback. Although we maintain the view that the NZ\$ will likely to continue to strengthen against the US\$ over the longer term, we do expect the next rally to be from lower levels. As such, exporters could start thinking about where to set Orders for cover should last night's declines persist. Our view is for a drift back towards the 0.60 level over the next few weeks.

During the crisis, any time there was a significant fall in commodity markets we would see a wave of risk aversion sweep through the commodity related currencies. The NZ\$ would often lose more ground than the Australian dollar against the greenback and hence the persistently low NZD/AUD cross rate during this time (well part of the reason at least). What we saw last night was a tumble in commodities that led to a bigger decline in the Australian dollar than in the Kiwi (consequently a stronger NZD/AUD cross rate); this is because Australia has a bigger exposure to these markets and hence has seen a bigger hit to its relative value. This change in reaction is of particular importance as we begin to see signs that commodity markets look set for further weakness. There has been quite a large amount of speculative buying back into oil over the past few months; the non-commercial net long position increased to 40,000 contracts at the end of May, up from a net 11,000 short at the end of March. As this type of investment grows and unwinds it causes large amounts of volatility, further unwinding of the net long position should continue to drive down the price of oil. This would cause declines in other commodity markets and put pressure on the NZD and AUD.

New Zealand added an extra 2,690 Kiwis in May according to Stats NZ immigration data released yesterday morning. The total population change due to immigration is +11,202 in the past year, the strongest annual number in 2 years.

## Oil look set for further falls which will weigh on the local currencies

