



CNS Treasury System

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Foreign Exchange Outlook – 25th August 2010

NZD Crosses

NZDUSD

Rate	0.7011
Change	0.0025
% Change ▼	0.36%

NZDAUD

Rate	0.7931
Change	0.0044
% Change ▲	0.55%

NZDEUR

Rate	0.5532
Change	0.0023
% Change ▼	0.41%

NZDJPY

Rate	59.01
Change	0.97
% Change ▼	1.64%

NZDGBP

Rate	0.4543
Change	0.0011
% Change ▲	0.24%

Majors

EURUSD

Rate	1.2621
Change	0.0008
% Change ▲	0.06%

USDJPY

Rate	83.82
Change	1.09
% Change ▼	1.30%

AUDUSD

Rate	0.8800
Change	0.0083
% Change ▼	0.94%

Foreign Interest Rates

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

Other Rates

NZDHKD	5.4519
NZDFJD	1.3564
NZDCAD	0.7432
NZDSGD	0.9541
NZDXPF	65.97
NZDTHB	22.05
NZDZAR	5.1464
NZDDKK	3.6185
NZDSEK	5.2148

90 Day Bill	2.76%
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US Houses Drive 'Double-Dip' Fears

Another bump in the road for the US housing market has triggered a wave of selling risk assets overnight. Data showed that the annual number of house sales fell to 3.83 million rate in July. This is 27.2% less than what was recorded in June and the lowest annual sales volume on record. The US housing market is suffering from the expiry of first home buyer tax breaks, an oversupply of houses, tight credit and high unemployment. There is now 12.5 months worth of houses for sale in the USA, the most since 1983.

Broad based weakness prompted by fears the world is heading for a 'double-dip' recession led stocks and markets lower throughout the Asian and European session yesterday with most indexes down by at least 1% and as much as 2%, US markets are down over 1.5% presently. The currency markets have not borne too much of this most recent move out of risk with the NZD holding around 0.7050, the lower range of the last fortnights trading. The Aussie was hit harder overnight, pushing through recent lows to trade at its weakest in a month against the US\$, as a result the NZDAUD has edged up again to just under 0.80. Equity markets continue to look poorly and generally markets are being driven lower as global economic data points to an increased chance of the feared 'double-dip'. The Kiwi has held its ground against the US\$ so far but should the local currencies fail to hold the current levels (which is looking increasingly difficult) then we would expect the Kiwi to have another look at the recent lows of .6700-.6600 US over the coming month(s). If this does occur, we see the Kiwi holding up reasonably well vs the Aussie Dollar in particular as the Aussie has attracted more international investment that may be withdrawn if the global outlook continues to deteriorate.

The big mover in the currency markets overnight was the Japanese Yen which strengthened considerably against all currencies. One US\$ buys 84 Yen this morning, down from 85 yesterday, the NZDJPY slipped as low as 59 last night, down from 60 yesterday. The Bank of Japan is famous for meddling in the currency markets and the JPY has strengthened into the range traditionally sensitive to intervention; exporters to Japan should be wary of action by the Bank of Japan to weaken the Yen.

Concern is further weakness in the housing market will trigger another wave of foreclosures

