

## NZD Crosses

### NZDUSD

Rate 0.7230  
Change 0.0014  
% Change ▲ 0.19%

### NZDAUD

Rate 0.8082  
Change 0.0013  
% Change ▲ 0.16%

### NZDEUR

Rate 0.5610  
Change 0.0015  
% Change ▲ 0.27%

### NZDJPY

Rate 63.38  
Change 0.69  
% Change ▲ 1.08%

### NZDGBP

Rate 0.4692  
Change 0.0032  
% Change ▼ 0.68%

## Majors

### EURUSD

Rate 1.2825  
Change 0.0007  
% Change ▼ 0.05%

### USDJPY

Rate 87.33  
Change 0.77  
% Change ▲ 0.88%

### AUDUSD

Rate 0.8906  
Change 0.0007  
% Change ▲ 0.08%

## Foreign Interest Rates

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

## Other Rates

NZDHKD 5.6129  
NZDFJD 1.3814  
NZDCAD 0.7498  
NZDSGD 0.9906  
NZDXPF 66.92  
NZDTHB 23.24  
NZDZAR 5.3466  
NZDDKK 3.6185  
NZDSEK 5.2760  
90 Day Bill 2.76%

Call 09 300 9500 or 0800 100 301



## CNS Treasury System

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

## Foreign Exchange Outlook – 26th July 2010

### Kiwi Up; EU Stress Tests Disappoint

The Kiwi and Aussie edged up again against the US\$ over Friday night with each adding about a quarter cent from Fridays trade. The Kiwi currently sits just above 0.7250 against the US\$ and the Aussie sits around 0.8950; the NZDAUD cross is holding steady ahead of the upcoming RBNZ and RBA announcements due on Thursday and next Tuesday respectively. The Kiwi is down against a stronger Pound which rallied on better than expected GDP numbers (UK GDP up 1.1% in the second quarter vs expectations of just 0.6%) while the Kiwi gained on the Euro as disappointing EU bank stress tests saw the Euro flounder.

The market is picking a further quarter-point hike from the RBNZ this Thursday, consistent with previous guidance for gradual, quarter-point hikes which would eventually take the OCR to around 4 or 4.5%. The RBA on the other hand is a less sure thing; the market is leaning towards a hold next week at 4.50% although comments made just last week by RBA Governor Glenn Stevens remain rather upbeat for Australia's near-term prospects suggesting further hikes to come. Helping guide the RBA will be the Aussie CPI numbers due out this week. Inflation is expected to be running at 3.4% in the year to Q2, above the 2 to 3% tolerable band allowed by RBA mandate. Although the RBA would not move just on a single CPI release, it is likely to cause them some discomfort at future meetings.

The much anticipated Euro bank stress tests were released over the weekend and, as warned, the down-side scenarios presented were disappointingly soft, leaving the market questioning whether the exercise is an accurate measure of stability or an attempt by EU bureaucrats to build confidence. 7 of the 91 European lenders failed to meet adequate capital criteria under all scenarios including Hypo from Germany (which has been living on German bailout money for some time), one large Greek bank and 5 relatively insignificant Spanish real estate lenders. The market was bracing for Euro-zone banks to have to raise anywhere from EUR 20bln to 90bln to recapitalize while the stress tests expect just 3.5bln would be enough to suffice.

