

The Morning Report

NZD Crosses

FRIDAY 27 JANUARY 2012

NZDUSD

Rate	0.8151
Change	0.0039
% Change ▲	0.48%

NZDAUD

Rate	0.7679
Change	0.0015
% Change ▲	0.19%

NZDEUR

Rate	0.6224
Change	0.0020
% Change ▲	0.32%

NZDJPY

Rate	63.15
Change	0.02
% Change ▲	0.03%

NZDGBP

Rate	0.5198
Change	0.0012
% Change ▲	0.23%

Majors

EURUSD

Rate	1.3048
Change	0.0023
% Change ▲	0.18%

USDJPY

Rate	77.10
Change	0.39
% Change ▼	0.50%

AUDUSD

Rate	1.0572
Change	0.0045
% Change ▼	0.27%

Foreign Interest Rates

USD	0.25%
AUD	4.25%
GBP	0.50%
EUR	1.00%
JPY	0.10%
NZD	2.50%

Other Rates

NZDCNY	5.1648
NZDHKD	6.3255
NZDFJD	1.4383
NZDCAD	0.8159
NZDSGD	1.0252
NZDXPF	74.27
NZDTHB	25.44
NZDZAR	6.3575
NZDDKK	4.6172
NZDSEK	5.5174

90 Day Bill 2.74%

Kiwi tests .8200 as Fed signals more QE

The NZ dollar rose to the .8200 level overnight vs the USD after the US Federal Reserve signalled yesterday that they would be prepared to print more money to speed up job growth and bring the unemployment rate down. The Fed also signalled that they plan on leaving the US cash rate at 0.0-0.25% right through to the end of 2014. This had the effect of pushing the US 5 year Government bond rate down to a record low of just 0.76% as the super low cash rate will mean Banks can buy the Bonds and borrow the money at almost zero cost for the first 3 years at least.

The Feds forecasts were in contrast to those of the RBNZ who failed to give any guidance on how long the NZ cash rate will stay at 2.50%. The market is looking for a rise in rates towards the end of the year. It will be interesting to see if the fall in the US 5 year Bond rate flows through to lower 5 year borrowing costs for NZ home owners. Declining mortgage rates are providing a much needed boost to the NZ economy and with most people now on the floating rate the overall effective mortgage rate on all NZ mortgages is just 5.88%.

In Europe the yield on Italian 10 year Government bonds dropped below 6.0% for the first time since early December after the Italian Government saw good demand for its latest debt auction. The Euro 500 billion that the European Central Bank (ECB) has lent to European Banks has clearly had a major impact in bringing down the borrowing costs for Italy and Spain averting what could have become a major problem for Europe. The ECB are scheduled to offer more cheap long term money to the European Banks in February. The Euro managed to push through the resistance barrier of 1.30 overnight, partly reflecting the weaker USD, as a broader sense of positive risk sentiment gripped the market.

Today we get an update on NZ's trade data for December, with a deficit predicted of 50 million it will be interesting to see if the data can beat expectations.

The Kiwi has made aggressive gains after yesterdays announcements

