



**CNS Treasury System**

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Foreign Exchange Outlook – 27th August 2010

**NZD Crosses**

**NZDUSD**

Rate	0.7003
Change	0.0049
% Change ▲	0.70%

**NZDAUD**

Rate	0.7895
Change	0.0017
% Change ▲	0.21%

**NZDEUR**

Rate	0.5503
Change	0.0006
% Change ▲	0.11%

**NZDJPY**

Rate	59.09
Change	0.24
% Change ▲	0.40%

**NZDGBP**

Rate	0.4508
Change	0.0007
% Change ▲	0.15%

**Majors**

**EURUSD**

Rate	1.2671
Change	0.0074
% Change ▲	0.58%

**USDJPY**

Rate	84.05
Change	0.24
% Change ▼	0.28%

**AUDUSD**

Rate	0.8833
Change	0.0043
% Change ▲	0.48%

**Foreign Interest Rates**

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

**Other Rates**

NZDHKD	5.4462
NZDFJD	1.3548
NZDCAD	0.7397
NZDSGD	0.9489
NZDXPF	65.62
NZDTHB	21.91
NZDZAR	5.0808
NZDDKK	3.6185
NZDSEK	5.1712
90 Day Bill	2.76%

**Is the Tide Turning on the US\$?**

No one general trend in the markets last night; US equities continued to sag while most currencies gained against the US\$. The Kiwi clawed out of the 0.69's and back into the low 0.70's where we have seen it for much of this past week, the Aussie climbed by a similar margin against the US\$ which leaves the NZDAUD cross steady in the low 0.79's.

The moves we are seeing are a classic risk shakeout but we note the market seems more reluctant to dump the Kiwi this time round; usually when equities and commodities such as oil are sold off like this the Kiwi suffers nasty, rapid falls. It seems that while risk is off, investors are not wildly excited about holding the US\$ as an alternative given the continued deterioration in the US economy, the super-low return on US\$ and the risk that yet another wave of quantitative easing may dilute the value of the US\$ further. Part of our longer term view is the US\$ will be prone to weakness given the increased money supply, perhaps we are seeing the first leanings toward this now? Fed Chairman Ben Bernanke is scheduled to speak at a Central Bankers conference this evening, with all the conjecture and suspicion about further quantitative easing, the market will be keeping a very close eye on what he has to say.

Tonight sees the release of the second reading for US 2Q GDP which is expected to show the US economy expanded at a 1.4% annualized pace in the second quarter. Also UK 2Q GDP will be released this evening; the market is expecting a 1.1% expansion over the second quarter which would take annual growth for the UK to 1.6%. Next week the local data scene hots up again with NZ trade balance and business confidence on Monday, Australia sees building approvals on Tuesday and AU GDP on Wednesday.

