

## NZD Crosses

### NZDUSD

Rate 0.7244  
Change 0.0053  
% Change ▼ 0.73%

### NZDAUD

Rate 0.8103  
Change 0.0019  
% Change ▲ 0.23%

### NZDEUR

Rate 0.5574  
Change 0.0041  
% Change ▼ 0.73%

### NZDJPY

Rate 63.35  
Change 0.80  
% Change ▼ 1.26%

### NZDGBP

Rate 0.4645  
Change 0.0035  
% Change ▼ 0.75%

## Majors

### EURUSD

Rate 1.2942  
Change 0.0004  
% Change ▲ 0.03%

### USDJPY

Rate 87.10  
Change 0.49  
% Change ▼ 0.56%

### AUDUSD

Rate 0.8900  
Change 0.0083  
% Change ▼ 0.93%

## Foreign

### Interest Rates

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

### Other Rates

NZDHKD 5.6294  
NZDFJD 1.3917  
NZDCAD 0.7517  
NZDSGD 0.9908  
NZDXPF 66.47  
NZDTHB 23.31  
NZDZAR 5.3148  
NZDDKK 3.6185  
NZDSEK 5.2686

90 Day Bill 2.76%

Call 09 300 9500 or 0800 100 301



## CNS Treasury System

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

## Foreign Exchange Outlook – 29th July 2010

### RBNZ Hikes but Dampens Expectations of Further Rises; Kiwi Down

NZ interest rates were raised by 0.25% at this morning's RBNZ OCR meeting, as was expected by the market. Where previously the RBNZ has expressed intention to gradually continue 'taking the foot off the accelerator' by raising rates in consistent 0.25% moves, this morning Dr Alan Bollard changed tact slightly, saying "the pace and extent of further OCR increases is likely to be more moderate than was projected in the June Statement". While the RBNZ expects "respectable" GDP growth in the near-term and while inflation will receive a temporary boost as the new GST changes flow through, "domestic demand is subdued. Households are cautious, with retail spending growing only modestly; housing turnover (is) in decline and household credit growth (is) weak".

In our view the RBNZ will still aim to get the OCR to 3.50% over the next few meetings, where as 4.00% was the previously expected target. The Kiwi has fallen almost a cent against the US\$ and has fallen back to 0.81 against the AUD following the announcement.

AU inflation data released yesterday disappointed market expectations coming in at just 0.6% in the second quarter vs expectations of 1%, this takes the annual growth in prices to 3.1% vs expectations of 3.4%. While 3.1% still exceeds the RBA's upper limit of 3% the market certainly felt it would lessen pressure on the RBA, and expectations of further hikes for Australia this year were cut back to zero. The Aussie dollar lost a quick cent against the US\$ following the softer inflation data, the Kiwi was led down only a quarter of that leaving the NZDAUD cross to break the 0.8125 malaise of the past week and push up a quick three quarters of a cent, although some of the gain was lost overnight.

NZ Business confidence data released later at 3.pm yesterday afternoon also saw some selling off in the Kiwi as the index came in at 27.9 in July, notably lower than the 40.2 measured prior. Firms own expectations were almost as disappointing at 32.4, down from 38.5. In other news; US stocks and other risk assets were softer following disappointing US manufacturing data (yet another disappointment for the States we note), the next hurdle for them will be the GDP figures due on Friday night.

The RBNZ has lowered guidance for further OCR hikes

