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What happened while you were snoring ?

US investors dumped shares of Fannie Mae and Freddie Mac overnight, driving the shares to their lowest levels in more than 18 years on mounting fears of a government bailout that would wipe out the stock value of the two housing finance giants. The Wall Street Journal reported that Freddie Mac executives would meet with Treasury officials and this saw investors hit the panic button and unload more of the respective stocks. Freddie Mac's share price fell nearly 30 percent to USD 2.95, the lowest level since 1990 and Fannie fell by a third to USD 4.00 – a level not seen since 1988. US stocks closed modestly higher with the Dow up 0.6 percent.

The USD hung onto its gains overnight but remains close to a turn lower. We've not seen a sell signal yet so we'll hang on but we are close. Oil rose overnight to USD 115 a barrel and if it can get a bit higher it might just spark a bit of a corrective move lower for the greenback. Add to this the fact that every financial journalist writing overnight for Reuters is starting to talk about the USD going through the roof and you know we're close to move the other way. The Euro is 1.4750 and the AUD is trying to lift at 0.8740 USD.

The NZD has gone quiet but is still pointing higher. A Reuters poll published yesterday showed all 17 respondents believe the RBNZ will cut the OCR by 25 basis points to 7.75 percent when it meets on Sept. 11. Bollard has indicated there is plenty of room to loosen policy and one or two respondents believe he will cut 50 points, which he might do if the Kiwi dollar rallied back to 0.7500 say. 25 points is more likely, particularly if the NZD is around the 0.7000 mark. The cross rates are steady, which indicates we're pretty much moving in line with the other majors.

Special Action Required?

Short term forecasts (next week or so)

Currency	Spot Rate (Mid)	24 Hour Range		S/t trend	Trend reverses at	Importer target	Exporter target
NZD/AUD	0.8161	0.8206	0.8146	stronger NZD	0.7990	0.8250	0.8100
NZD/CAD	0.7566	0.7595	0.7526	stronger NZD	0.7410	0.7700	0.7500
NZD/CHF	0.7837	0.7836	0.7778	stronger NZD	0.7590	0.7900	0.7700
NZD/EUR	0.4835	0.4844	0.4819	stronger NZD	0.4690	0.4950	0.4770
NZD/GBP	0.3830	0.3836	0.3816	stronger NZD	0.3720	0.3850	0.3780
NZD/JPY	78.30	78.61	77.96	stronger NZD	76.50	79.00	77.50
NZD/SGD	1.0065	1.0087	1.0034	stronger NZD	0.9850	1.0200	0.9950
NZD/USD	0.7129	0.7158	0.7084	stronger NZD	0.6950	0.7200	0.7050
AUD/USD	0.8737	0.8743	0.8675	stronger AUD	0.8560	0.8820	0.8650
USD/CAD	1.0613	1.0652	1.0578	stronger USD	1.0400	1.0700	1.0500
USD/CHF	1.0993	1.1039	1.0900	stronger USD	1.0620	1.1100	1.0800
EUR/USD	1.4746	1.4805	1.4673	stronger USD	1.5100	1.4900	1.4650
GBP/USD	1.8614	1.8684	1.8540	stronger USD	1.9180	1.8920	1.8500
USD/JPY	109.82	110.27	109.62	stronger USD	108.20	111.00	109.00

Snapshot of other Rates

SEK 4.5384 HKD 5.5686 SGD 1.0065 CNY 4.8868 ZAR 5.5358 MCI 867 Gold 811.50

90 Day Interest Rates

USD 2.78 NZD 8.16 AUD 7.49 EUR 4.92 GBP 5.73 CHF 2.61 JPY 0.85