
NZD remains stuck in a range against the USD between the recent high of 0.7050 and the low of 0.6985; RBNZ will announce their cash rate Thursday with no change from 1.75% expected; BOE will also announce

their cash rate Thursday night NZ time

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Guest



Commentary by



DIRECT FX

By [Neven Fisher](#)*:

On the 2nd of April 2015 an agreement was put into place between Iran and a group of super power countries. The agreement essentially was to put in place with limitations to Iran producing nuclear weapons. In exchange the 6 countries involved Russia, France, China, UK, US and Germany would lift economic sanctions. President Trump has come forward recently and stated he would not support such an agreement as Iran has broken the agreement by not allowing international access to inspectors among other reasons. He has called for new sanctions on Iran and has requested congress to instigate

changes. Iran's foreign policy head Federica Mogherini has said there has not been any violation of the agreement and stated the agreement could not be negotiated. Over the week we will watch how things develop here but news alone around this could rattle markets and has the makings of investors reaching for safe haven products. Non-Farm Payroll figures disappointing to the downside Saturdays morning coming in with an increase of 164,000 for April but down on the expected 190,000 number. The US unemployment rate dropped to 3.9% from 4.00% initially increasing the value of the US Dollar but markets soon retraced to pre- announcement levels across the board. The US Dollar

index remains strong at 92.55 with risk sentiment benefiting equities and commodity markets all closing up over 1%. The Reserve Bank of New Zealand will announce their cash rate Thursday with no change from 1.75% expected. The Bank of England will also announce their cash rate Thursday night NZ time and will no doubt leave the rate at 0.5% unchanged. A couple of weeks back we were pricing in a 85% certainty of a hike to 0.75% but the statistic is now under 10% with a round of disappointing economic data showing struggles with falling inflation statistics.

Major Announcements last week:

- NZ GDT Price Index -1.1%

- US ISM Manufacturing Index 57.3 vs 58.4 expected
- NZ Employment Change 0.6% vs 0.5% expected
- NZ Unemployment Rate 4.4% as expected
- UK Construction PMI 52.5 vs 50.5 expected
- FOMC leaves interest rates unchanged
- Australian Trade Balance 1.53b vs 0.68b expected
- UK Services PMI 52.8 vs 53.5 expected
- US Non-Farm Payrolls Change 164k vs 190k expected
- Australian Retail Sales 0.0% vs 0.2% expected

NZD/USD

The New Zealand dollar (NZD) remains stuck in a range against the US Dollar (USD) between the recent high of 0.7050 and the low of 0.6985. Activity in the pair has been light over the last few days with the RBNZ cash rate announcement looming Thursday. Currently trading at 0.7025 a lack of US data over the week should see limited movement. President Trump is due to speak again over the Iran Nuclear deal Wednesday which could be interesting as he is inclined to change or scrap the deal altogether. Abandoning the deal is widely expected to be a "historic mistake" with risk sentiment hanging in the balance. As we have said 0.7000 is acting as staunch support for the kiwi

with as it has bounced from this level over 5 times in the month of May.

DIRECT FX

Current level				Support	Resistance
NZD/USD	0.7015	0.7000	0.7050		

NZD/AUD (AUD/NZD)

The New Zealand Dollar (NZD) has bounced off key support of 0.9300 (1.0750) against the Australian Dollar late last week and has recently looked to regain earlier losses as it trades back towards 0.9350 (1.0700). The pushback comes in the wake of weaker Chinese Services PMI data which came

in weaker than the predicted 52.9 missing the forecasted 53.9. Australian Retails Sales data in the past hour has pressured the AUD, further supporting the NZDAUD cross rate. The RBNZ cash rate announcement on Thursday will now be the main focus. The cash rate of 1.75% is expected to remain unchanged with the normal sluggish growth rhetoric expected in the following monetary statement which could put the NZD under pressure and bring back further selling in the kiwi.

DIRECT FX	Current level			Last week	
	Support	Resistance		range	
NZD				0.92	
/	0.9350	0.9300	0.9380	-	

AUD				0.93
AUD				1.06
/	1.0695	1.0660	1.0750	-
NZD				1.07

NZD/GBP (GBP/NZD)

The New Zealand Dollar (NZD) continued to make further gains against the British Pound (GBP) making a fresh two week high of 0.5190 (1.9250) Friday. UK Construction figures were slightly up on predictions but Services PMI came in lower than expectation at 52.8 vs 53.8. With the NZD just sitting off its recent high, markets await further data for guidance in direction. RBNZ should be add volatility when the cash rate is

released following with the Bank of England (BoE) cash rate soon after. A classic head and shoulders pattern is emerging in the cross with momentum perhaps to continue through to 0.5150 (1.9400) depending on the monetary policy statements.

DIRECT FX	Current level			Last week
	Support	Resistance	Resistance	
NZD / GBP	0.5170	0.5140	0.5195	0.5150
GBP / NZD	1.9342	1.9250	1.9450	1.9400

NZD/CAD

The New Zealand Dollar (NZD) has opened the week stronger against the Canadian Dollar (CAD) pushing to 0.9040 from its last week low of 0.8978. Crude oil prices were strong last week reaching a high of 70.70 but have slid back below this mark to 69.90 on Tuesday taking the CAD with it. The long-term momentum still lies to the downside back through 0.8900 from the high of 0.9500 early March as the Canadian economy rejuvenates. Watch for the RBNZ cash rate announcement Thursday 9.00 NZ time.

DIRECT FX	Current level			Last week range
	Support	Resistance		
NZD				0.89

/	0.9045	0.8980	0.9200	-
CAD				0.90

NZD/EURO (EURO/NZD)

The EURO (EUR) and New Zealand Dollar (NZD) pair has recently broken from its range bound theme travelling to a low of 0.5800 (1.7250) where strong support saw a bounce back to 0.5880 (1.7000). Last week we saw the NZ unemployment rate hold 4.4% as expected in line with 4.5% recorded the quarter prior continuing the downward trend from November 4 2015 where figures peaked at 6.00%. Thursday we have the RBNZ official cash rate which is expected to remain unchanged at 1.75% with the normal

sluggish growth rhetoric expected in the following monetary statement.

DIRECT FX	Current level		
	Support		Resistance
NZD/EUR	0.5886	0.5825	0.5913
EUR/NZD	1.6990	1.6911	1.7170

NZD/YEN

The New Zealand Dollar (NZD) looked to make early gains this week trading up to the 76.70 handle against the Japanese Yen (JPY) but was soon sold

off back to 76.45. Japan Household spending is released today along with NZ quarterly Inflation expectations. I think the pair should hold 76.00 with the RBNZ cash rate announcement to publish Thursday with expectations of a hawkish statement.

Current level		Support	Resistance	Last week range
NZD				76.2
/	76.41	76.15	77.30	-
YEN				77.1

AUD/USD

The Australian Dollar (AUD) has again extended its decline against the greenback (USD) for the third straight

week, and into this week, travelling to key support of 0.7500. With buyers lapping up the US Dollar of late even though Aussie data has been positive. NAB business confidence was solid with mining and finance sectors continuing to strengthen boosting the Australian economy. A real tussle could develop with this cross now as retail sales has printed down on expectation at 0.0% compared to 0.2% expected, if the AUD goes below 0.7500 it could retest 0.7475 and below. The pair sits at the crossroad waiting for its next signal.

Current level	Support	Resistance	Last week range

AUD	0.7503	0.7470	0.7577	0.74
/				-
USD				0.75

AUD/GBP (GBP/AUD)

After three weeks of bullish movement the AUD/GBP pair looks to have finally retraced off the high of 0.5580 (1.7930) early this week to trade at 0.5540 (1.8050). This represents a significant move in the right direction for the Aussie Dollar (AUD) and suggests a turnaround in fortunes based on recent favourable data releases. NAB business confidence was up on expectation, although retail sales released in the past hour has disappointed. The Bank of England won't hike rates later in the week

sighting recent disappointing data with economists suggesting further hikes won't be seen until well into 2020. Either way the announcement will move the pair, we suggest prices should continue towards 0.5520 (1.8100) in the short term after the choppiness over the announcement.

DIRECT FX	Current			Last
	level	Support	Resistance	week range
AUD / GBP	0.5530	0.5506	0.5577	0.54 - 0.55
GBP / AUD	1.8083	1.7930	1.8160	1.79 - 1.82

AUD/EURO (EURO/AUD)

The EURO (EUR) has continued its bearish move lower against the Australian Dollar (AUD) consolidating around the 0.6300 (1.5870) level. The EU economy slowed in the first quarter of 2018 with economic growth figures at 0.4% compared to 0.7% for the last quarter of 2017. The RBA commented that they see faster than economic growth in 2018 but stopped short of saying their inflation target will be reached by 2020 and the cash rate will stay at the record low for some time yet. With demand the Aussie Dollar (AUD) increasing over recent days markets will have a keen eye on NAB business confidence and the government's annual budget Tuesday

Night.

DIRECT FX	Current		
	level	Support	Resistance
AUD/EUR	0.6295	0.6265	0.6320
EUR/AUD	1.5885	1.5830	1.5960

AUD/YEN

Despite the AIG construction index printing well and NAB business coming in above expectation the Australian Dollar (AUD) was sold off vs the Japanese Yen (JPY) during early Monday

trading. Reaching a low of 81.70 it has recovered slightly but looks to travel lower if we follow the trend channel from the high of 84.00 mid April.

Australian retail sales the most significant piece of data for the week has printed down on expectations of 0.2% at 0.0% and has impacted on the recent Aussie optimism the pair falling away to 81.70. The Australian annual budget will be read tonight 9.30 NZ time. The focus will be on tax breaks with a wad of cash sitting in the government coffers.

DIRECT FX	Current level			SupportResistance	

AUD/YEN	81.70	81.20	82.50
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AUD/CAD

The Canadian Dollar (CAD) opened the week in a buoyant mood pushing the Australian Dollar (AUD) down to 0.9650 regaining most of last weeks losses. Oil prices are softer Tuesday dropping back below 0.7000 to 69.87 per barrel helping to depreciate the CAD. The long-term trend from the high of 1.0220 in early March is still in play as we expect the cross to creep lower back through the low of 0.9620 in the medium term. Canadian Building approvals and Unemployment figures print towards the end of the week to offer further direction in the pair.

DIRECT FX		Current level	Support	Resistance	Last week range
AUD / CAD		0.9671	0.9600	0.9730	0.96 - 0.97

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Market commentary:

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the value of the US Dollar but markets soon retraced to pre- announcement levels across the board. The US Dollar index remains strong at 92.55 with risk sentiment benefiting equities and commodity markets all closing up over 1%. The Reserve Bank of New Zealand will announce their cash rate Thursday with no change from 1.75% expected. The Bank of England will also announce their cash rate Thursday night NZ time and will no doubt leave the rate at 0.5% unchanged. A couple of weeks back we were pricing in a 85% certainty of a hike to 0.75% but the statistic is now under 10% with a round of disappointing economic data showing struggles with falling inflation statistics.

Australia

The RBA kept the benchmark rate unchanged last week at 1.5% extending its record breaking run. The RBA acknowledged that employment growth has slowed but still expect unemployment to dip lower gradually. Trade Balance surprised to the upside in a big way recording a huge surplus for the month of March. The surplus swelled to 1.527Billion with the markets expecting a figure around 950 Million. This is the third straight release over the 1 Billion mark. Iron Ore and coal were flat but exports of non-rural products, with a large increase in the value of cereal exports, were a big part of it. The value of cereal grains rose by a whopping 226 Million. The Australian

economy has a raft of economic data to release over the next few weeks. In the past hour we have seen Retail Sales data come in a touch weaker at 0.0% vs 0.2% expected. This has weighed on the Australian dollar (AUD) somewhat. The Australian Budget is released today at 9.30 NZ time, the Treasurer is expected to announce tax cuts to middle income earners amid good government revenue which should still hold scope for a 2020-2021 surplus.

New Zealand

The New Zealand Dollar performed in a mediocre manor across most pairs during the week but managed to push

higher against the US Dollar Friday after a better than expected US unemployment figure of 3.9% released. The announcement put market sentiment in a positive mood with investors selling the USD. The Global Dairy Auctions came in -1.1% versus 2.7% a fortnight ago and weighed on the NZD earlier in the week. The all important Whole Milk price fall 1.5% to 3,231. The RBNZ official cash rate will be announced this Thursday at the standard time of 9.00am and should offer the usual flurry of volatility. If the RBNZ raise rate or elude to doing so in the near to medium future we should see a higher value NZD develop. With most economic indicators along with recent rhetoric suggesting no change

should eventuate until 2019 we may not see much overall price moves develop based with markets already pricing in a no change result to the New Zealand Dollar (NZD).

United States

The US Dollar has closed the week weaker against its main rivals. Falling away of broad based risk on markets. Non-Farm Payroll printed down on expectation at 164,000 jobs against 190,000 predicted. The Unemployment rate followed continuing its late 2017 downward trend printing at 3.9% which is the lowest level it's been in 18 years. This was seen as being a sign of improvement in the markets with buyers of risk currencies selling the US

Dollar. Equity markets all closed higher the DOW and Nasdaq both up over 1.4% the DOW inches towards key resistance of 24500. President Trump has highlighted he wants to renegotiate the terms of the Iran Nuclear programme put in place from the Obama administration in 2015, as he has suggested the terms of the deal are extremely one sided towards Iran with the agreement having many holes for Iran to exploit. This week Fed chair Powell speaks along with CPI figures Thursday to offer further direction.

Europe

The EURO (EUR) fell away across the board in the later stages of last week to close lower. The only currency it has

strengthened against is the British Pound. Against the US Dollar it has depreciated to 1.1900 its lowest level since 28th December 2017 as downward pressure continues.

Eurozone CPI figures printed down Friday to 1.2% for April a decrease from the 1.3% March figure, showing that the ECB will remain wary of monetary policy. Any hopes of the ECB (European Central Bank) finalising its QE (Quantitative Easing) programme by September have all but gone. A light week on the cards for the EURO with only the ECB President Draghi speaking Saturday at the 8th edition of the "State of the Union"- 1.1900 remains robust support for the EURUSD and should be treated with extreme

care as a break below here could suggest support at 1.1500 could enter play as the US Dollar gains momentum.

United Kingdom

In the space of a week we have seen the chances of a Bank of England (BoE) rate hike go from 60% to 10%. On Thursday evening the cash rate is announced, but economists seem to have put aside any Bank of England (BOE) excitement of a hike after recent disappointing data. It's possible we now may not see any further hikes until 2020. This really does make us rethink our view of the overall UK economy with slower overall growth more than likely because of lagging

consumer and wage growth. Brexit concerns are still on the table with Theresa May re-convening her Brexit Cabinet committee this week. She wants to win agreement as quick as she can as she wants to push ahead with her preferred “Customs Partnership”. The British Pound has slid to 1.3490 but has made a small recovery on the weekly open to 1.3550.

Japan

The Japanese Yen (JPY) looks to have consolidated around the 109.00 area against the US Dollar (USD) Tuesday after dipping to 108.70 and going as high as 109.40 early Monday. The Bank of Japan (BoJ) released the minutes of

their March meeting reiterating that most members are in favour of continuing with current policy with the economy a long way from reaching its inflation target. Recent analysis shows us that the 10-year yield spread between the USD and Japanese Yen is the dominating factor with regards to the recent USDJPY levels. As it hovers around the 2.95% it needs to get to around 2.20% to reverse recent movement. A continuation of the trend from the low of 104.50 is still in play as the USDJPY pair eyes 110.00

Canada

The Canadian Dollar has continued its choppy behaviour against the US Dollar (USD). The US Dollar has

experienced its best week in currency markets since President Trump took over the presidency. But against the Loonie (USDCAD) not so - as Crude Oil jumped to its higher level at \$70 per barrel since November 2014 the Loonie has fared slightly better. Trading at the bottom of its current range at 1.2850 since mid April the CAD needs to break below 1.2800 to gain any downward momentum. Nafta talks have continued in Washington overnight as negotiators push to wrap up a deal, this could end up dragging on for months. Canadian news out this week, monthly building permits and employment change.

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