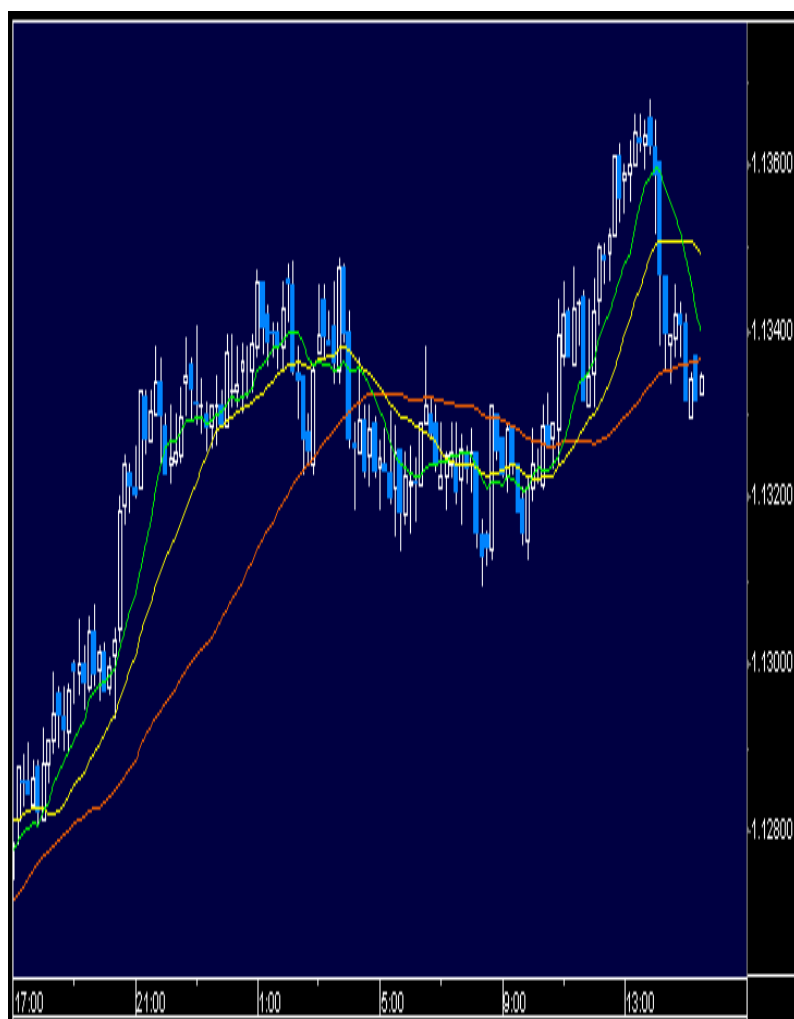


October 9, 2006

**U.S. SESSION (as of 4:00 PM EST)**

**Today's Largest Percentage Movers:**

Currency	Daily Percentage Change (%)	Intraday High	Intraday Low	Day's Range (pips)
AUDNZD	+0.5%	1.1374	1.1262	112
NZDUSD	-0.3%	0.6592	0.6539	53
NZDJPY	+0.2%	78.49	77.71	78

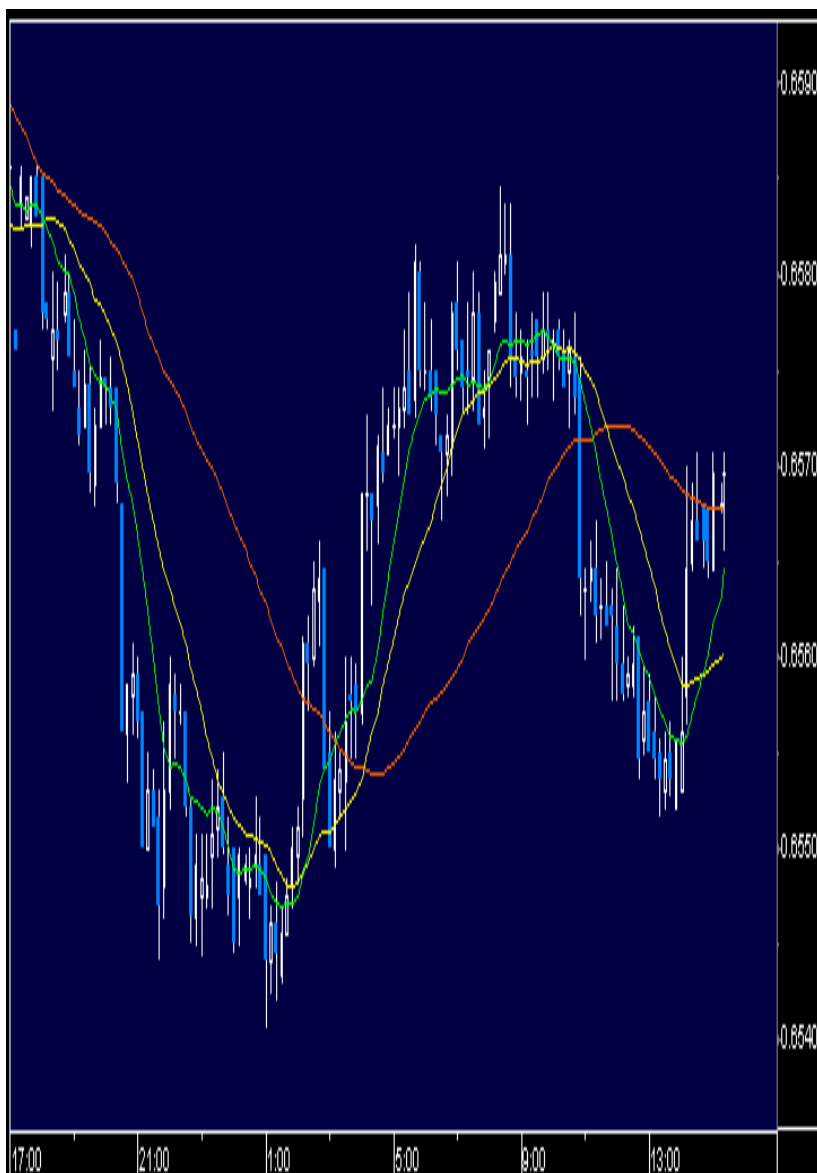


Source: Bloomberg

**AUDNZD**

The Australian dollar climbed against the Kiwi in the New York session following a better than expected construction index. With housing and mining sector activity on the repair, the index benefited from the reversal of two key industries that led the survey lower last month. The reversal resulted in a 53.1 print for the month of September, rising 7.5 points above the previous reading. The increase also catapults the report higher above the 50 figure, the minimum separating expansion from contraction. Although not likely to cajole central bankers in considering further rate hikes, as expected by the market, it does purport the notion that further growth may support the continued expansion of the commodity bloc country. Subsequently, traders took to the notion as the cross pair vaulted the highest basis point count of the top three on the day.

Comparatively, Kiwi prospects seem a little tepid and may present an interesting picture following the release of the country's business opinion poll. Expected to be slightly higher than previous readings, the report is anticipated to increase as consumer confidence was visibly lifted last week following declines in energy prices. The sentiment additionally comes into play with the release of the Westpac consumer report released previously for the third quarter. Should confidence be higher than expected, central bankers may be further concerned as higher capex may reflect further growth prospects.



### NZDUSD

Comparatively, the Kiwi major suffered under some pressure during the North American session as further paring of positions took place continuing the previous week's momentum. Spurring on the decline are expectations of this week's data releases, with increasing focus being placed on the New Zealand retail sales and manufacturing figures for the week. Both major contributors to the overall gross domestic product figure, both reports are expected to stay within limits of the previous month's report, with slightly less figures anticipated for the retail sales figure. Although consumers are visibly supporting the current expansion effort, a pull back wouldn't be all too surprising as the report vaulted a surprising 1.3 percent in the month of July. Should both reports be to the upside, overall expansion would be considered well supported for the underlying, keeping some longer term bulls in play. As a result, with Kiwi interest rates expected to tighten, the end of the week's retail sales figures are likely to be of little importance. However, with weaker figures expected, the report may do well for further kiwi momentum.

Further momentum is building in the cards for the New Zealand major as suggestions are relatively clear cut in the price action. Finding support at the 0.6550 figure, bids are looking heavy as they form at the confluence of the technical floors (61.8 percent fib level from the 10/2-10/5 bull wave and the S1 Daily Pivot). The suggestion is being confirmed by the MACD reading with Stochastic forming a neutral zone golden cross.

Source: Bloomberg

### NZDJPY

Aside from fundamental data, geopolitical tensions once again spelled disaster for the Japanese yen. Released in the overnight, North Korea reported confirmation of a nuclear weapons test that took place over the weekend. Already given a warning about the much speculated test, North Korean policy makers were shunned by several members of the UN including Japan, Russia and China as the test continues to be deemed a threat to the global economy. With the proximity of the Japanese country to the communist being a small distance, traders became concern that weapons tests may once again fly over head as they did last year. As a result, concern and fear fueled the yen major's decline as the Asian currency lost considerably against the dollar. The same scenario was seen in the Kiwi dollar as rampant exit to safety was witnessed in the session. Although the news is likely to reverberate throughout the week, fundamental data should not be precluded as tensions can only weaken a cross by so much.

Continuing to range bound off of last week's rather tepid price action, further upside in the near term looks probable for the cross pair. Finding support just below the 78.00 handle, bids are looking rather light with the support corresponding with a confluence of floors (S1 Daily Pivot and 23.6 percent fib level from the 9/28-10/6 bull wave). However, the move may only be temporary as both oscillators are unable to offer a directional bias. Conversely, 78.50 remains a key level for a bullish upside run.



Source: Bloomberg