

NZD → AUD at Strike NZ\$1.0320

Risk reward looks attractive as Australia's growth picked up in the 1Q16, while the RBNZ heads closer to a rate cut.

Why You Should Invest

- As risk appetite returned to markets post-Brexit, the Australian Dollar recovered against most commonly traded peers.
- Both the Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) have kept interest rates on hold during their latest board meetings.
- The RBA believes that inflation will stay within preferred band of 2 per cent to 3 per cent over the next five years, while unemployment will remain in check.
- New Zealand consumers' spending stagnated on the month in May, while annualised spending dropped from 9.1 per cent to 5.9 per cent, according to disappointing credit card figures.
- At the wake of Brexit, odds of RBNZ cutting rates further has increased. The Finance Minister, Bill English also highlighted that RBNZ has room to cut if Brexit unrest should worsen.
- The current AUD/NZD levels continue to be attractive for the pair. We favour AUD climbing higher than NZD over the medium term as Australia's economic data improves, while odds of RBNZ cutting rates increases.
- We see immediate support at NZ\$1.0410, and the next support level at NZ\$1.0250.

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