

CONFIDENTIAL
MEMORANDUM

15 May 2009

THE MINISTER OF FINANCE

EXCHANGE RATES DEVELOPMENTS IN
APRIL 2009

A. OVERVIEW

The **US dollar** continued to weaken due to a decreased demand for safe-haven currencies. Reports of weak US and Europe economic statistics added to the view that the global recession was deepening. Throughout the month, the market was keen to put on risk trades in order to gain more as demand for the US currency fell. The Fed held its funds rate unchanged at 0.25 percent.

The **Yen** strengthened slightly over the month as global markets contracted, indicating weak economic data around the world. In its April monetary policy review, the BOJ held its official interest rate unchanged at 0.1 percent.

The **Euro** weakened gradually over the month as weak economic data in Europe weighed down the Euro. The ECB reduced its official interest rate by 25 basis points from 1.50 percent to 1.25 percent.

The **Australian dollar** strengthened considerably in April as the Greenback weakened over the month. Strong commodity prices and equities helped support the Aussie currency. In its April monetary policy review, the RBA reduced its policy interest rate by 25 basis points from 3.25 percent to 3.00 percent.

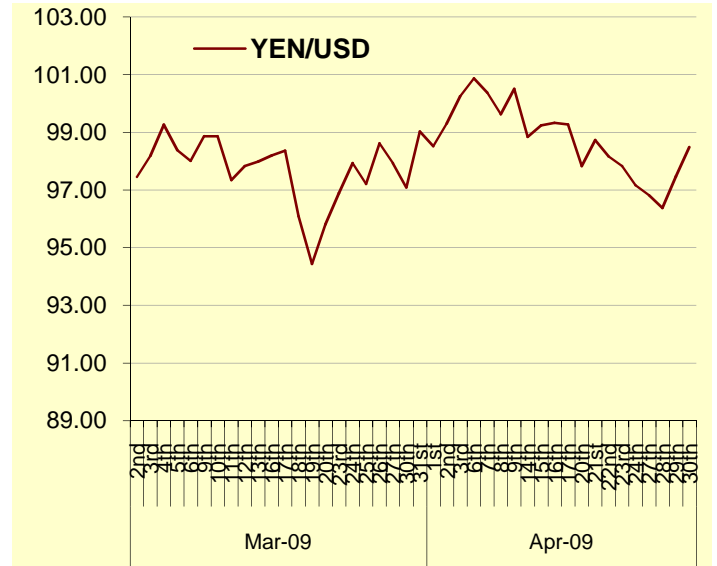
The **New Zealand dollar** was fairly stable over the month due to weak economic data out of US and Europe and the weakening US dollar. The RBNZ lowered its official cash rate by 50 basis points from 3.00 percent to 2.50 percent.

In April 2009, the Tala weakened against the AUD but it rose against the USD, the NZD and the EURO. The Tala also strengthened against the YEN and the FJD.

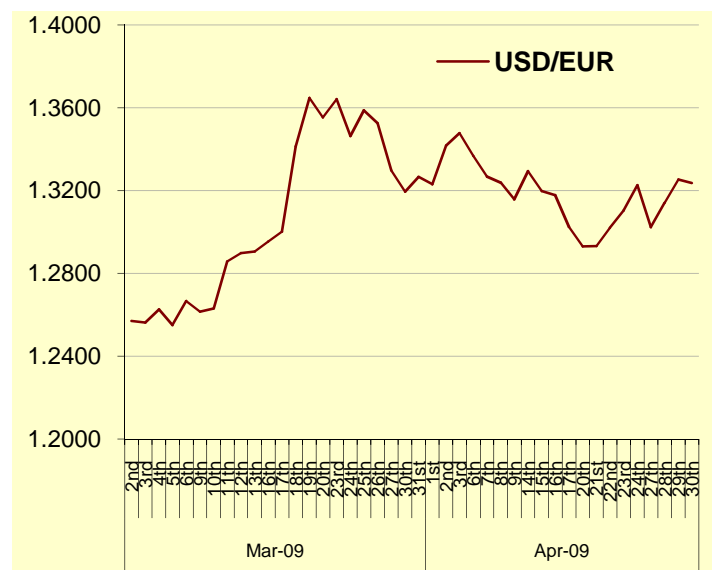
B. CURRENCY 'WATCH'

The **US dollar** continued to capitalize on its haven appeal in April despite being slightly weaker early in the month. The Greenback's initial decline came on the back of the G-20 pledge to inject US\$1.0 trillion of emergency funds into the global economy. The news led to a rally in equity markets and risk appetite, and subsequently a reduction in haven demand for the dollar. However, losses were short-lived as a string of negative US economic reports later persisted to weaken the equity markets and dampen investors' risk appetite throughout the month. The Greenback again found solid support from its haven appeal as investors fled from volatility in the equity markets. For most of the month, the currency markets were driven by risk sentiment and the equity markets, which were largely influenced by economic data in the United States. Recent economic reports out of the US have been pessimistic and as a result, equity markets have weakened, risk sentiment remains negative, while the US dollar stands well supported by its haven appeal.

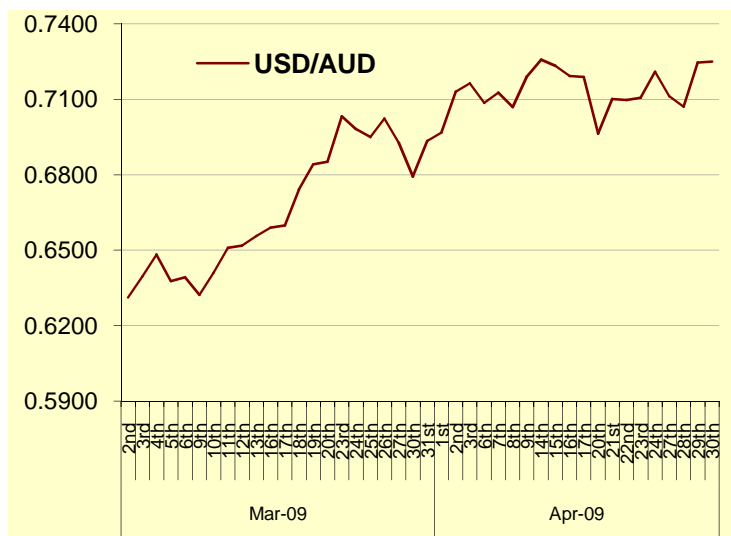
The **Japanese Yen** likewise found much of its support over the month from its haven appeal. The Yen opened the month at Yen98.51 and it continued to weaken alongside the Greenback as it gradually lost support from its haven appeal amid news of the G-20's pledged US\$1.0 trillion to be injected into the global economy. The Yen fluctuated mostly between Yen99 and Yen100 as equity markets remained volatile over the month on a flurry of weak economic data out of the US and Europe. The BOJ held its official interest rate unchanged at 0.1 percent but this did not move the Yen until softer than expected March quarter exports data in Japan helped lift the Yen to Yen97.83. The Yen slipped momentarily to Yen98.73 and then it traded between Yen96 and Yen97 until it closed the month slightly weaker at Yen98.48.



The **Euro** opened the month weak at US\$1.3230 as reports of the increased unemployment rate for February added to concern about the deepening downturn in Europe. However, the Euro surged to US\$1.3418 after the ECB lowered its key interest rate by 25 basis points to 1.25 percent. Weak global equity markets coupled with weak data out of Europe weighed down the currency to US\$1.3368 and gradually to US\$1.3157. Ongoing volatility in the equity markets kept investors highly risk-averse and this added pressure on the Euro, which was already trading lower to US\$1.2930. A rebound in Germany's investor confidence in April led to a rebound in European stock markets, which then saw the Euro pick up again to US\$1.3020. It continued to rise to US\$1.3226 but fell back to US\$1.3023. The Euro closed the month slightly firmer at US\$1.3236.



The **Australian dollar**, on the other hand, opened the month slightly firmer at US\$0.6968 and continued to strengthen as equity markets rallied on the positive outcome of the G-20 summit. The Aussie dollar rose to US\$0.7164 but slipped to US\$0.7086 on a rebound in the US dollar as global equities weakened. However, the Australian dollar recovered to US\$0.7193 following the RBA's cash rate reduction by 25 basis points to 3.0 percent. The Aussie dollar, like the Euro was vulnerable to movements in the equity markets, which remained rather volatile throughout the month as investors sought to trade on whatever news, good or bad, that was released out of the large industrialized economies. The Australian dollar weakened to its lowest at US\$0.6964 on a rebound in the US dollar as equity markets weakened and risk aversion resurfaced, but it eventually recovered to trade at US\$0.7106 and continued to US\$0.7246 until it finally closed the month firm at US\$0.7250; its second highest level recorded for the month.



The **New Zealand dollar**, unlike its Aussie counterpart, opened the month at US\$0.5665, slightly weak but it picked up over the week as equity markets recovered on news of the G-20's pledged emergency funds. Softer than expected growth and housing data in New Zealand, coupled with recovering commodity prices also helped support the Kiwi currency. Through most of the month, the NZ dollar range traded between US\$0.57 and US\$0.58 as equity markets remained volatile due to a tug of war between the positive and the negative economic data out of the US and Europe. The Kiwi then traded at US\$0.5660 and steadily made its way to US\$0.55 as markets speculated ahead of the RBNZ's monetary policy review, which later culminated in a 50 basis points reduction to the OCR to 2.50 %. Improved

data out of US lifted the kiwi dollar to US\$0.5716 as US currency demand fell. The Kiwi unit traded at US\$0.5652 at the end of the month.

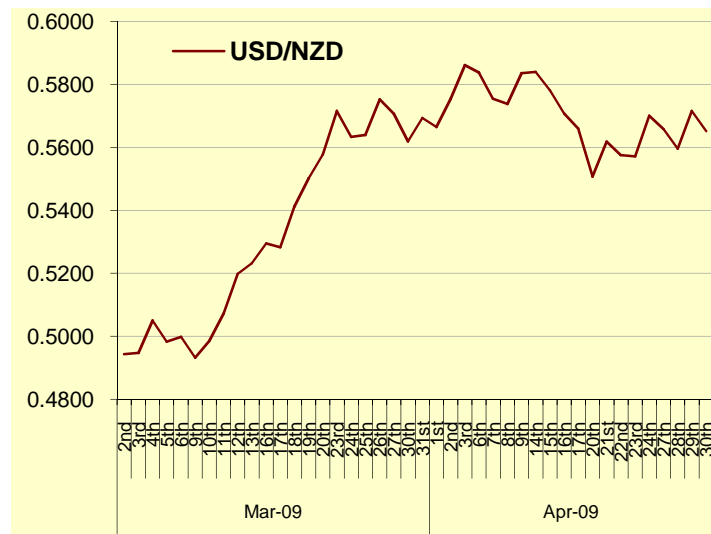


Table 1 shows the movements of the currencies in our currency basket against the US dollar at end April 2009, compared to the previous month and December 2008.

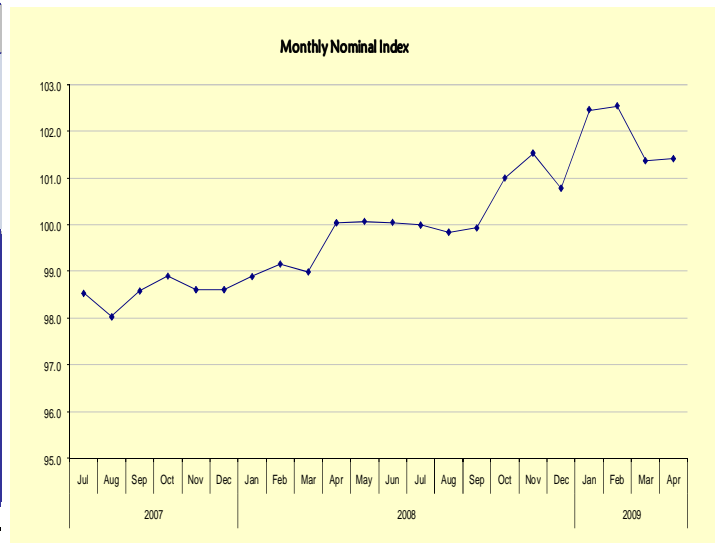
Table 1					
USD per other currencies (end period)					
				Movement of other currencies against the USD	
				(+ appreciation / (-) depreciation	
	Dec-08	Mar-09	Apr-09	Dec-08 (%)	Mar-09 (%)
USD/NZD	0.5856	0.5693	0.5652	-3.48	-0.72
USD/AUD	0.7062	0.6934	0.7250	2.66	4.56
YEN/USD	90.85	99.03	98.49	-8.41	0.55
USD/EUR	1.3966	1.3266	1.3236	-5.23	-0.23
USD/FJD	0.5691	0.5551	0.4540	-20.22	-18.21

At end April 2009, the Greenback weakened against the **AUD** but it strengthened against the **NZD** and the **EURO** when compared to the previous month. The US dollar strengthened against the **FJD** but it weakened against the **YEN** from the previous month.

C. EFFECT ON THE TALA

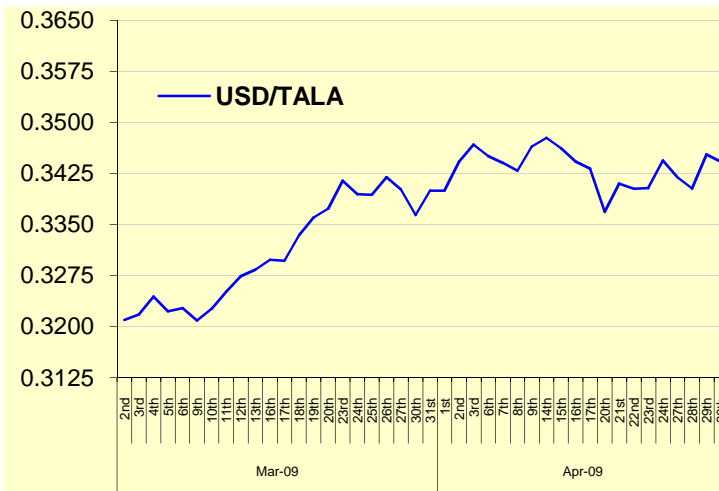
Compared to end December 2008 and the previous month, Table 2 shows the movement of the Tala at end April 2009 against the currencies in our currency basket as well as its movement against the FJD and the YEN.

Table 2					
Tala per foreign currencies (end period)					
	Dec-08	Mar-09	Apr-09	Movement of the Tala	
				(+ appreciation / (-) depreciation	
				Dec-08 (%)	Mar-09 (%)
TALA/USD	2.9043	2.9413	2.9052	-0.03	1.23
TALA/NZD	1.7007	1.6743	1.6420	3.45	1.93
TALA/AUD	2.0509	2.0395	2.1063	-2.70	-3.28
TALA/EUR	4.0561	3.9019	3.8454	5.20	1.45
TALA/FJD	1.6528	1.6327	1.3190	20.20	19.22
YEN/TALA	31.2798	33.6672	33.8991	8.37	0.69
Nominal Index	100.79	101.38	101.42	0.63	0.04



At end April 2009, the Tala weakened against the **AUD** but it strengthened against the **USD**, the **NZD** and the **EURO** from the previous month. The Tala also rose against the **YEN** and the **FJD** when compared to the previous month.

In terms of the **Nominal Index**, the Tala appreciated by 0.04 percent at end April 2009 from the previous month. (See Table 2)

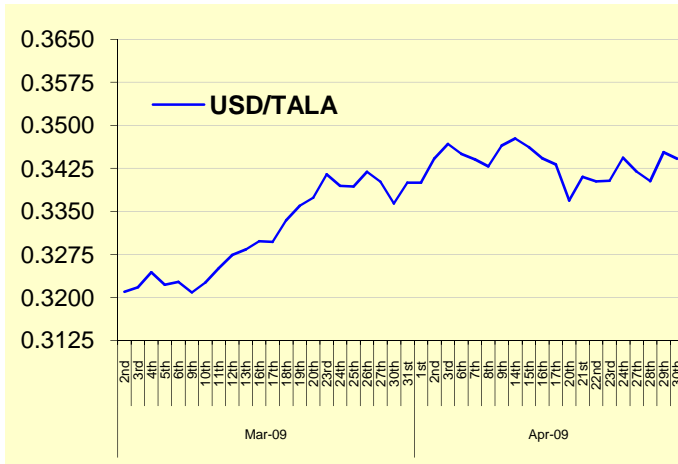


Financial Markets Department April 2009

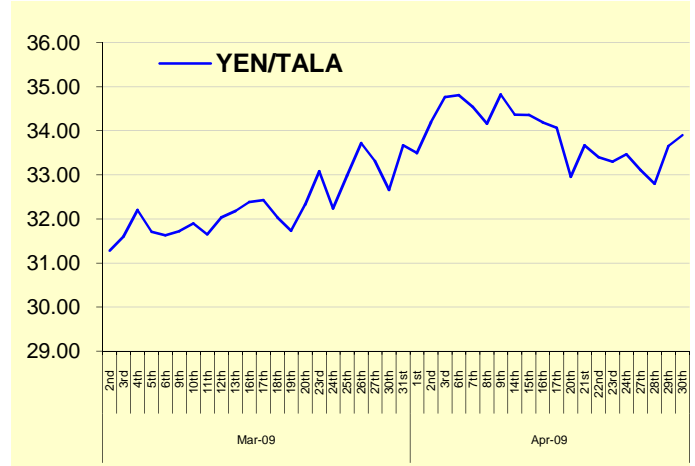
The **Tala** opened the month at US\$0.3400 and continued to strengthen against the Greenback. The Tala mostly traded at levels above US\$0.34 and continued its rise and fall against the US dollar as the Euro and the Australasian currencies fluctuated in response to the volatile equity markets. The Tala eventually fell to its lowest for the month at US\$0.3369 but has recently picked up again at US\$0.3400. The Tala continued to strengthen against the US dollar and finally closed the month slightly firm at US\$0.3442

TALA GRAPHS

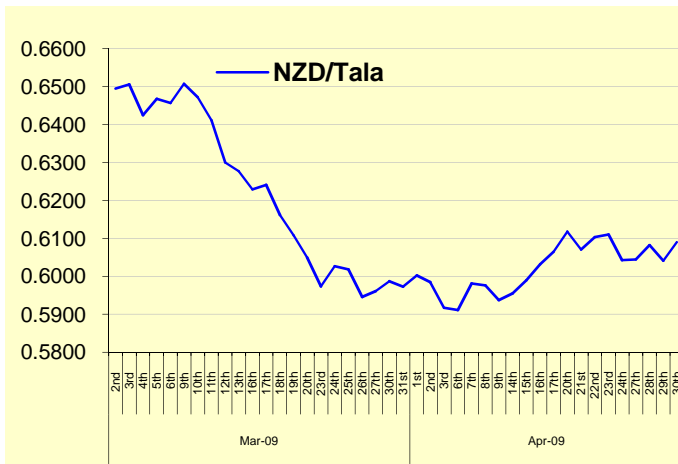
USD/TALA



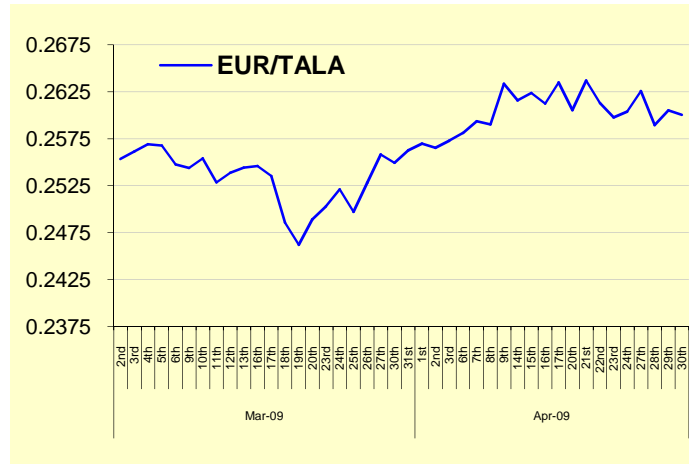
YEN/TALA



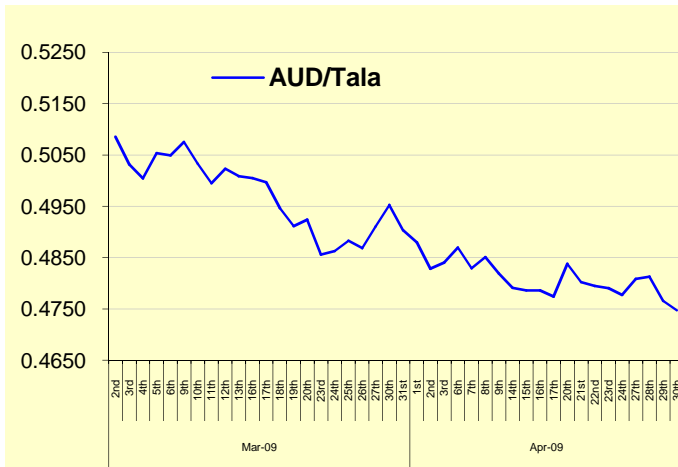
NZD/TALA



EUR/TALA



AUD/TALA



FJD/TALA

