

Monday, 3 November 2008

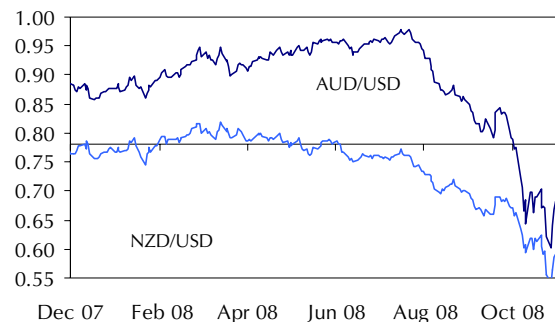
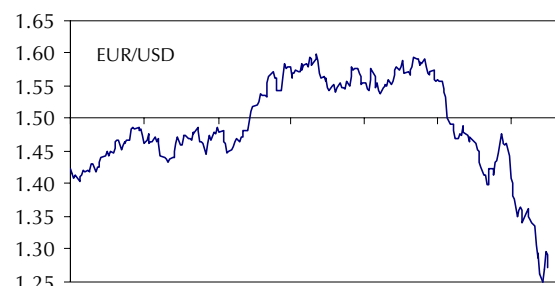
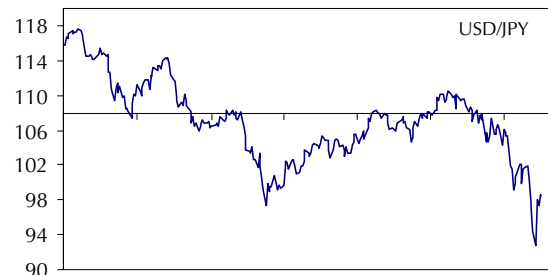
Global Markets

Foreign Exchange Rates (as at 31 October 2008)

	As at 3 Nov	Asian High	Asian Low	NY High	NY Low
JPY	98.50	98.83	96.35	99.13	96.63
EUR	1.2771	1.2885	1.2665	1.2802	1.2674
GBP	1.6112	1.6511	1.6115	1.6285	1.6006
CHF	1.1555	1.1526	1.1358	1.1688	1.1472
AUD	0.6705	0.6755	0.6545	0.6699	0.6550
NZD	0.5867	0.5920	0.5761	0.5870	0.5748
CAD	1.2101	1.2290	1.2040	1.2380	1.1942

News Highlights

- **The greenback settled mostly stronger against the major currencies on Friday**, perhaps partially as a result of month-end position adjustments. Some of the US Dollar strength might also be related to some market positioning ahead of several central bank meetings this week (RBA, ECB and BoE, with consensus expectations leaning towards a 50bps rate cut, respectively). Specifically, the EUR/USD fell from above the 1.3000 threshold to less than 1.2700; similarly, the GBP/USD approached the 1.6000 level during the LDN/NY session. Also, the commodity-related major currencies--led by the AUD/USD--weakened relative to the Dollar. The only exception was the USD/JPY, which traded in a much wider range between 96.35 and 99.13 compared to the prior session.
- **Aside from the aforementioned central meetings this week, the outcome of the US elections and the slew of data releases could potentially stir markets.** With Democratic candidate Obama in the lead over McCain, according to Presidential election polls, the race in the Senate (35 seats) and House (435 seats) would also be closely watched. Separately, the US data release calendar kicks-off with the October ISM manufacturing data and unit auto sales, and September construction spending release today. Also, the October ISM non-manufacturing and ADP releases on Wednesday could potentially be market moving. And finally, market participants would surely be gearing up for the October employment report on Friday. **Our preliminary forecast is for non-farm payrolls to decline by 235k (will revisit the forecast following the ADP) and the**



unemployment rate to rise to 6.4% in October. (Kindly refer to our forecast table on the final page for additional information.)

- **Both the 2-year and 10-year US Treasury yields held roughly steady** at around 1.56% and 3.97%, respectively, on Friday. The 30-year bond yield, however, edged up by a few basis points to 4.37%. **Separately, the fed funds futures continued to price-in a 25bps cut at the December 16 meeting. Indeed, the tone of the October 29 post-meeting**

Interest Rates

	<u>Current</u>	<u>Next CB Meet</u>	<u>UOB's Forecast</u>
USD Fed Funds Rate	1.00%	16 Dec	1.00%
EUR Refinancing Rate	3.75%	07 Nov	3.25%
GBP Repo Rate	4.50%	07 Nov	4.00%
AUD Official Cash Rate	6.00%	05 Nov	5.75%
NZD Official Cash Rate	6.50%	04 Dec	5.75%
CAD Overnight Rate	2.25%	10 Dec	2.00%

Stock Indices (as at 31 October 2008)

	<u>Closing</u>	<u>% chg</u>
Dow Jones Industrial Average	9325.01	+1.57
S&P 500	968.75	+1.54
NASDAQ Composite	1720.95	+1.32
Tokyo Nikkei 225	8576.98	-5.01
London FTSE 100	4377.34	+2.00
Frankfurt DAX	4987.97	+2.44
All Ordinaries	3982.70	+0.64

Commodities (as at 31 October 2008)

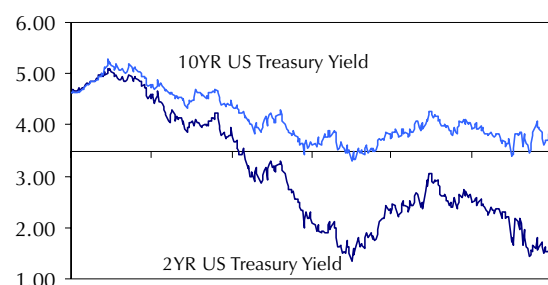
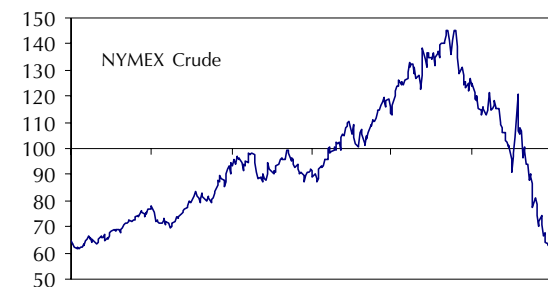
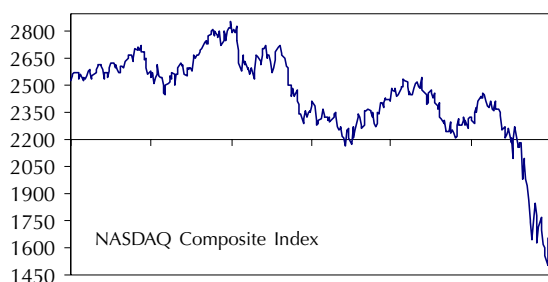
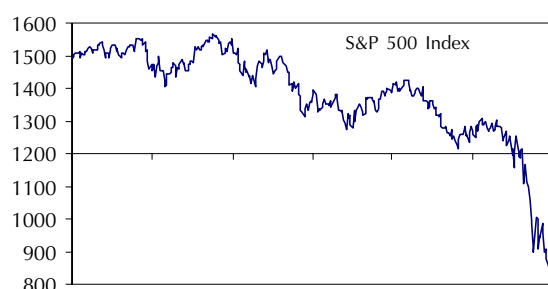
	<u>Closing</u>	<u>% chg</u>
NYMEX Crude (December)	67.81	+2.80
Comex Gold (October)	728.50	-
Reuters CRB Index	268.39	+0.69

Bond Yields (as at 31 October 2008)

	<u>Closing</u>	<u>Net chg</u>
US 2-Year Bond	1.57%	-
US 10-Year Long Bond	3.97%	-
JP 10-Year JGB	1.48%	-2
EU 10-Year Bund	3.90%	+13
UK 10-Year Long Gilt	4.52%	+8

statement did not appear to convey any sense of reluctance from the Committee to lower the target funds rate below 1%. While our baseline call is still at 1.00% by year-end 2008, the risk is clearly tilted for additional accommodation, if appropriate. Therefore, we will revisit our fed funds forecast periodically as we continue to track the rhetoric from policymakers and the state of the US economy. (Both Governor Warsh and FRB President Lockhart are scheduled to speak later this week.)

- **The major US equity indexes ended more than 1% higher on Friday.** The gains do not appear to be constrained within any specific sector; however, the volume conditions on the NYSE were sub-average. The mixed weekly (both the DJIA and S&P were up more than 10%) and monthly (both the DJIA and S&P were down more than 14%) snapshots imply that investors by-and-large remain edgy.
- **The prompt-month NYMEX crude oil futures contract settled almost \$2 higher at around \$68/bbl.** The positive



May 07 Aug 07 Nov 07 Feb 08 May 08 Aug 08 Nov 08

price action was observed in the "closing minutes of Friday's session", reportedly on "pre-weekend short-covering activity", after hovering in negative territory earlier.

- **The Japan markets are closed today for Culture Day.** The BoJ lowered the target call rate by 20bps to 0.3% last Friday. Reportedly, three policy members were pushing for a 25bps reduction and one member opposed the rate cut. The unusual interest rate easing by the BoJ was largely deemed as a symbolic gesture at best.

Economic Indicators

<u>SG Time</u>	<u>Indicators</u>	<u>Mth</u>	<u>Actual</u>	<u>UOB Forecast</u>	<u>Mkt Forecast</u>	<u>Previous</u>
<u>31/10</u>						
0801	UK Gfk Consumer Confidence Survey	Oct	-36	-	-36	-32
2030	US Personal Income	Sep	0.2	-	0.1	0.4%
2030	US Personal Spending	Sep	-0.3	-	-0.2	0.0%
2030	US PCE Core m/m	Sep	0.2	-	0.1	0.2%
2030	US PCE Core y/y	Sep	2.4	-	2.4	2.6%
2145	US Chicago Purchasing Manager	Oct	37.8	-	48.0	56.7
2200	US U. of Michigan Confidence	Oct F	57.6	-	57.5	57.5
<u>03/11</u>						
2300	US Construct Spending	Sep		-1.0	-0.8	0.0%
2300	US ISM Manufacturing	Oct		42.0	41.5	43.5
-	US Total Vehicle Sales	Oct		-	12.0	12.5m
<u>04/11</u>						
2300	US Factory Orders	Sep		-	-1.0	-4.4%
<u>05/11</u>						
2115	US ADP Employment Change	Oct		-	-100	-8k
2300	US ISM Non-Manf Composite	Oct		47.2	47.2	50.2
<u>06/11</u>						
2130	US Productivity	Q3 P		0.5	0.9	4.3%
2130	US Unit Labor Costs	3Q P		3.8	2.8	-0.5%
2130	US Initial Jobless Claims	Nov 2		483	477	479k
2130	US Continuing Claims	Oct 26		-	3745	3715k
<u>07/11</u>						
2130	US Change in Nonfarm Payrolls	Oct		-235	-200	-159k
2130	US Unemployment Rate	Oct		6.4	6.3	6.1%
2130	US Avg Hourly Earnings m/m	Oct		-	0.2	0.2%
2130	US Avg Weekly Hours	Oct		33.6	33.6	33.6
2300	US Wholesale Inventories	Sep		-	0.3	0.8%
2300	US Pending Home Sales m/m	Sep		-	-3.7	7.4%
	US Consumer Credit	Sep		-	0.4	-7.9b

*Bloomberg Consensus

Key Events

<u>Date</u>	<u>Event</u>
03/11	Fed Lacker speaks at 0845GMT
03/11	Eurogroup of finance ministers meeting
03/11	Japan Market closed for holiday
04/11	US Presidential Election
04/11	Fed Fisher speaks at 1545GMT
04/11	Economic and Financial Affairs Council (Ecofin) meeting
04/11	RBA board meeting and interest rate decision at 0030GMT
05/11	BoJ to publish minutes of 06-07 Oct monetary policy meeting at 2350GMT
05/11	BoE MPC meeting (to 06 Nov)
06/11	ECB Governing Council meeting. Interest rate announcement at 1245GMT and news conference at 1330GMT
06/11	BoE MPC announces interest rate decision at 1200GMT
06/11	Fed Warsh speaks at 0000GMT
07/11	Fed Lockhart speaks at 1700GMT
11/11	US's Market Holiday
13/11	Fed Plosser speaks at 1730GMT

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