

Tuesday, 4 November 2008

Global Markets

Foreign Exchange Rates (as at 3 November 2008)

	As at 4 Nov	Asian High	Asian Low	NY High	NY Low
JPY	99.00	99.65	98.35	99.47	98.30
EUR	1.2630	1.2898	1.2754	1.2881	1.2595
GBP	1.5775	1.6400	1.6098	1.6323	1.5781
CHF	1.1755	1.1584	1.1475	1.1749	1.1548
AUD	0.6761	0.6861	0.6678	0.6833	0.6643
NZD	0.5906	0.5970	0.5768	0.5979	0.5813
CAD	1.1798	1.2110	1.1931	1.2040	1.1795

Interest Rates

	Current	Next CB Meet	UOB's Forecast
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 3 November 2008)

	Closing	% chg
Dow Jones Industrial Average	9319.83	-0.06
S&P 500	966.30	-0.25
NASDAQ Composite	1726.33	+0.31
Tokyo Nikkei 225	-	-
London FTSE 100	4443.28	+1.51
Frankfurt DAX	5026.84	+0.78
All Ordinaries	4173.00	+4.78

Commodities (as at 3 November 2008)

	Closing	% chg
NYMEX Crude (December)	63.91	-5.75
Comex Gold (November)	725.40	-0.43
Reuters CRB Index	264.11	-1.59

Bond Yields (as at 3 November 2008)

	Closing	Net chg
US 2-Year Bond	1.44%	-13
US 10-Year Long Bond	3.92%	-5
JP 10-Year JGB	1.48%	-
EU 10-Year Bund	3.83%	-7
UK 10-Year Long Gilt	4.50%	-2

Key Events

Date	Event
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

News Highlights

- The US Dollar traded in a mixed session against the major currencies on Monday.** The European currencies settled weaker relative to the greenback during the LDN/NY session despite the generally higher finish in European bourses and mixed performance in US equities. Apparently, market participants remained edgy ahead of the ECB and BoE decisions on Thursday. Nevertheless, against the backdrop of lighter volume conditions, market volatility was still evident. For instance, the EUR/USD initially surged as high as 1.2898, but later fell below the 1.2600 level. Similarly, the GBP/USD touched a high of 1.6400 in the earlier session, but weakened to 1.5781 in the subsequent session. The commodity-related major currencies (AUD, NZD and CAD), on the other hand, strengthened some and the USD/JPY traded higher, above the 99.00 level. Aside from the RBA decision, the US coverage would also intensify as Americans head to the voting booth. **Aside from the US Presidential election, the outcome in the Senate and House elections are also important.**
- The first peek into early 4q08 data appears to reinforce the expectations that economic activity would either remain weak or has weakened further.** The headline ISM manufacturing figure plunged to 38.9 in October (lowest since September 1982). The details were also broadly softer, dragged down by "challenges associated with the financial crisis" and lagged "impact from higher oil prices". However, some of the weakness in manufacturing was also tied to the hurricane. The other day October data was unit auto sales, which came-in below 11mln units. This suggests that nominal spending on durable goods probably contracted by more than 5% in October. And finally, the October Senior Loan Officer Survey confirms that "large net fractions of domestic institutions reported having continued to tighten their lending standards and terms on all major loan categories over the previous three months". Separately, the headline construction spending data, however, came-in better than anticipated in September (but with downward revisions in prior months).
- The major US equity indexes ended unevenly,** with the DJIA and S&P marginally lower, while the NASDAQ edged up slightly. Nonetheless, the tepid volume conditions both on the NYSE and NASDAQ suggest that investors remained guarded.

- **The US Treasury yields came-off, led by the shorter-end of the curve.** The 2-year yield, which roughly fell by twice as much as the 10-year yield, stood at around 1.45%. As a result, the 10/2 spread widened to more than 245bps. The fed funds futures in the front months were still pricing-in a 25bps cut; however, Reserve Bank Presidents, Fisher and Lacker, steered clear of any policy guidance. The 1-month and 3-month LIBOR continued to edge lower, with the current levels at least 200bps below its recent peak.
- **The prompt-month NYMEX crude futures contract more than reversed its short-covering-induced-advance last Friday.** The contract traded at just under \$64/bbl, down nearly \$4 from its prior session after fluctuating between \$63.63/bbl and \$69.19/bbl.

Economic Indicators

SG Time	Indicators	Mth	Actual	UOB Forecast	Mkt Forecast	Previous
03/11						
1650	Fr PMI Manuf	Oct F	40.6	-	40.8	40.8
1655	Gmn PMI Manuf	Oct F	42.9	-	43.3	43.3
1700	EU PMI Manuf	Oct F	41.1	-	41.3	41.3
1730	UK PMI Manuf	Oct	41.5	-	40.1	41.2
2300	US Construct Spending	Sep	-0.3	-1.0	-0.8	0.3%
2300	US ISM Manufacturing	Oct	38.9	42.0	41.0	43.5
-	US Total Vehicle Sales	Oct	10.6	-	12.0	12.5m
04/11						
1800	EU PPI m/m	Sep		-	-0.1	-0.5%
1800	EU PPI y/y	Sep		-	8.0	8.5%
2300	US Factory Orders	Sep		-	-0.8	-4.4%
05/11						
2115	US ADP Employment Change	Oct		-	-100	-8k
2300	US ISM Non-Manf Composite	Oct		47.2	47.2	50.2
06/11						
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
07/11						
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

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