

Thursday, 6 November 2008

Global Markets

Foreign Exchange Rates (as at 5 November 2008)

| | As at 6 Nov | Asian High | Asian Low | NY High | NY Low |
|-----|-------------|------------|-----------|---------|--------|
| JPY | 97.93 | 99.87 | 99.27 | 99.53 | 97.88 |
| EUR | 1.2902 | 1.2985 | 1.2795 | 1.3117 | 1.2805 |
| GBP | 1.5835 | 1.5980 | 1.5755 | 1.6200 | 1.5789 |
| CHF | 1.1606 | 1.1748 | 1.1635 | 1.1715 | 1.1550 |
| AUD | 0.6776 | 0.6980 | 0.6832 | 0.7013 | 0.6801 |
| NZD | 0.5964 | 0.6070 | 0.5978 | 0.6106 | 0.5950 |
| CAD | 1.1688 | 1.1644 | 1.1514 | 1.1699 | 1.1465 |

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 | 5.25% | 03 Dec | 5.00% |
| NZD Official Cash Rate | 6.50% | 04 Dec | 5.75% |
| CAD Overnight Rate | 2.25% | 10 Dec | 2.00% |

Stock Indices (as at 5 November 2008)

| | Closing | % chg |
|------------------------------|---------|-------|
| Dow Jones Industrial Average | 9139.27 | -5.05 |
| S&P 500 | 952.77 | -5.27 |
| NASDAQ Composite | 1681.64 | -5.53 |
| Tokyo Nikkei 225 | 9521.24 | +4.46 |
| London FTSE 100 | 4530.73 | -2.34 |
| Frankfurt DAX | 5166.87 | -2.11 |
| All Ordinaries | 4287.30 | +2.81 |

Commodities (as at 5 November 2008)

| | Closing | % chg |
|------------------------|---------|-------|
| NYMEX Crude (December) | 65.30 | -7.42 |
| Comex Gold (November) | 741.30 | -1.94 |
| Reuters CRB Index | 267.97 | -3.68 |

Bond Yields (as at 5 November 2008)

| | Closing | Net chg |
|----------------------|---------|---------|
| US 2-Year Bond | 1.34% | -4 |
| US 10-Year Long Bond | 3.70% | -2 |
| JP 10-Year JGB | 1.54% | +3 |
| EU 10-Year Bund | 3.80% | -3 |
| UK 10-Year Long Gilt | 4.42% | -5 |

Key Events

| Date | Event |
|-------|---|
| 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 meeting at 2350GMT |
| 05/11 | BoE MPC meeting (to 06 Nov) |
| 06/11 | ECB Governing Council meeting. Interest rate announcement at 1245GMT. News conference at 1330GMT. |

News Highlights

- **Key US economic data was dismal overnight.** Oct ADP Private sector job number reported job losses of 157k, worse than expected 100k reading, and the highest in 6yrs, suggesting that Friday's NFP could come in weak. Oct ISM non-manufacturing also came in worse than expected at 44.4, against expectations for a 47.5 reading and from 50.2 in Sep, registering the lowest reading on record in the index's history. The employment component also fell to a record low of 41.5 from 44.2 in Sep.
- **The weak economic showing cut risk appetite despite Obama's decisive victory** and the USD/JPY moved lower to touch a low of 97.88 and exit Ldn-NY at 97.95. EUR/USD edged up to high of 1.3117 as slump in Eurozone manufacturing to fresh decade low boosted expectations for a 50bps cut from the ECB on Thurs. Both the AUD/USD and the NZD/USD also exited Ldn-NY lower at 0.6815 and 0.5952 after rallying to a high of 0.7013 and 0.6106 respectively. **We position for a cut of 50bps from the ECB as well as a similar cut from the BoE on Thurs and see a cut as a positive outcome for the currency as the markets evaluate how serious a view central banks are taking of recession risk.**
- **Major US equity indices slipped,** hurt by dismal economic data. Selling was across the board and investors were nervous ahead of Friday's Oct NFP report. The DJIA fell 436.01pts (5.05%) to 9139.27, the S&P500 slid 52.98pts (5.27%) to close at 952.77 and the Nasdaq Composite ended lower by 98.48pts (5.53%) at 1681.64. After the bell, tech bellwether Cisco Systems said that the fallout in the US had spread to key markets abroad and that its revenue could fall as much as 10% in the current quarter. **Today's key economic data release includes the weekly jobless claims figure and earnings calendar include announcements from Anheuser-Busch and Qualcomm Inc.**
- **US treasuries were flat** as safe haven bids were offset by concerns of increased debt issuance. The Treasury announced that it will sell \$55b of 3yr notes, 10yr notes and reopened 30yr bonds next week to meet its quarterly refunding needs, significantly above the \$18b refunding in Nov last year. Both benchmark 2yr and 10yr yields traded flat at 1.38% and 3.73% respectively.

\$5.23 (7.52%) at \$65.30/bbl.

- **Crude oil prices slipped** on the back of EIA data which showed that US gasoline stocks rose 1.1mbbls last week against a forecast for a 800,000bbls drawdown. Worries about demand destruction plagued the market and Nymex Dec crude traded from \$65.01-70.46/bbl and ended down
- **Gold prices also ended lower by close to 2%** as liquidation pressures from the falls in equity and crude oil weighed on the precious metal. Comex Nov gold traded between \$741.1-757.4/oz and ended lower by \$14.70 at \$741.30/oz.

Economic Indicators

| SG Time | Indicators | Mth | Actual | UOB Forecast | Mkt Forecast | Previous |
|--------------|---------------------------------|--------|--------|--------------|--------------|----------|
| 05/11 | | | | | | |
| 0801 | UK Nat'wide Consumer Confidence | Oct | 55 | - | 47 | 51 |
| 1650 | Fr PMI Services | Oct F | 47.5 | - | 48.8 | 48.8 |
| 1655 | Gmn PMI Services | Oct F | 48.3 | - | 49.7 | 49.7 |
| 1700 | EU PMI Services | Oct F | 45.8 | - | 46.9 | 46.9 |
| 1700 | EU PMI Composite | Oct F | 43.6 | - | 44.6 | 44.6 |
| 1730 | UK Industrial Production m/m | Sep | -0.2 | - | -0.2 | -0.6% |
| 1730 | UK Industrial Production y/y | Sep | -2.2 | - | -2.2 | -2.3% |
| 1730 | UK Manufacturing Production m/m | Sep | -0.8 | - | -0.3 | -0.6% |
| 1730 | UK Manufacturing Production y/y | Sep | -2.3 | - | -1.6 | -2.0% |
| 1730 | UK PMI Services | Oct | 42.4 | - | 44.5 | 46.0 |
| 1800 | EU Retail Sales m/m | Sep | -0.2 | - | -0.4 | 0.3% |
| 1800 | EU Retail Sales y/y | Sep | -1.6 | - | -2.2 | -1.5% |
| 2115 | US ADP Employment Change | Oct | -157 | - | -100 | -26k |
| 2300 | US ISM Non-Manf Composite | Oct | 44.4 | 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

Jimmy Koh
(65) 6539 3545

Jimmy.KohCT@UOBgroup.com

Thomas Lam
(65) 6538 2169

Thomas.LamTL@UOBgroup.com

Licia Kok
(65) 6539 3549

Licia.KokHL@UOBgroup.com

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URL: www.uobgroup.com/research

Email: EcoTreasury.Research@UOBgroup.com