

Wednesday, 06 Jun 2007

Global Markets

Foreign Exchange Rates (as at 05 Jun 2007)

	As at 06 Jun	Asian High	Asian Low	NY High	NY Low
JPY	121.38	121.94	121.60	121.81	121.12
EUR	1.3520	1.3515	1.3489	1.3555	1.3501
GBP	1.9929	1.9949	1.9910	1.9968	1.9913
CHF	1.2180	1.2242	1.2211	1.2222	1.2162
AUD	0.8376	0.8373	0.8339	0.8407	0.8355
NZD	0.7505	0.7533	0.7465	0.7545	0.7486
CAD	1.0620	1.0594	1.0568	1.0638	1.0563

Interest Rates

	Current	Next CB Meet	UOB's Forecast
USD Fed Funds Rate	5.25%	27-28 Jun	5.25%
EUR Refinancing Rate	3.75%	06 Jun	4.00%
GBP Repo Rate	5.50%	06-07 Jun	5.50%
AUD Official Cash Rate	6.25%	06 Jun	6.25%
NZD Official Cash Rate	7.75%	07 Jun	7.75%
CAD Overnight Rate	4.25%	10-11 Jul	4.25%

Stock Indices (as at 05 Jun 2007)

	Closing	% chg
Dow Jones Industrial Average	13595.46	-0.52
S&P 500	1530.95	-0.53
NASDAQ Composite	2611.23	-0.27
Tokyo Nikkei 225	18053.81	+0.45
London FTSE 100	6632.80	-0.47
Frankfurt DAX	7919.83	-0.71
All Ordinaries	6399.90	-0.31

Commodities (as at 05 Jun 2007)

	Closing	% chg
NYMEX Crude (Jul)	65.61	-0.91
Comex Gold (Aug)	675.10	-0.18
Reuters CRB Index	314.64	-0.28

Bond Yields (as at 05 Jun 2007)

	Closing	Net chg
US 2-Year Bond	5.00%	+4
US 10-Year Long Bond	4.99%	+6
JP 10-Year JGB	1.84%	+4
EU 10-Year Bund	4.50%	+4
UK 10-Year Long Gilt	5.32%	+2

Key Events

Date	Event
06/06	RBA Interest Rate decision
06/06	ECB Governing Council Meeting and interest rate announcement
06-07/06	BoE Monetary Policy Committee (MPC) meeting
07/06	BoE Monetary Policy (MPC) announces interest rate decision
14-15/06	BoJ starts two-day monetary policy meeting
15/06	Fed Chairman Ben Bernanke speaks at 1230 GMT
19-23/06	Ministers from US, EU, Brazil and India meet to discuss ways to conclude the WTO's Doha round by the end of 2007.

News Highlights

- The USD weakened against the bulk of the major currencies** overnight, both against lower-yielding and higher-yielding currencies. The only exception was the up-move in the USD/CAD to above the 1.0600 level during the LDN/NY session. **While one might be tempted to judge that the overnight appreciation** of CHF and JPY as a possible shift in risk appetite in the foreign exchange market, the continued up-move in government bond yields in US and Euro Area implies otherwise. Nonetheless, **central bank officials at the International Monetary Conference** publicized their concerns over market-related "complacency" and the negative implications of an abrupt shift in capital flows.
- The anticipated revisions to the **1q07 productivity and unit labor costs** data today stem largely from last week's preliminary GDP release. We expect productivity growth to be revised downwards to around 1% and unit labor costs to be revised upwards to about 2.1%. The foregoing revisions should elicit minimal reaction in financial markets.
- The ISM non-manufacturing** headline data surprised on the upside and rose to 59.7 in May. Furthermore, the increase in the composite non-manufacturing index--by our calculations--to above the 56.5 level also suggests that the report contains generally positive details. The details from the ISM releases (manufacturing and non-manufacturing) through May suggest a rebound in real GDP growth in 2q07.
- The US Treasuries continued their slide overnight**, pressured in part by the better than expected ISM release. Reportedly, the up-move in bund yields to their highest level in more than four years could have also reinforced the upward momentum. Similarly, the fed funds futures contracts for the rest of 2007 expect the Fed to be firmly on-hold. In light of recent developments, we are in the process of revisiting our Fed policy forecast.

- **The major US equity indexes ended lower overnight**, perhaps as a result of precautionary profit-taking. Possibly, the combination of rising interest rates and an increase in the equity risk premium might have driven the down-move in equities. Reportedly, consumer-related and housing-related stocks slipped.
- **The prompt-month NYMEX crude futures contract slipped** from an intra-session high of above \$66/bbl to settle at \$65.61/bbl, reportedly on profit-taking activity.
- **The RBA, as anticipated, left the target rate unchanged at 6.25%**. The AUD/USD was little changed to marginally higher at around 0.8377 this morning.

Economic Indicators

<u>Local Time</u>	<u>Indicators</u>	<u>Mth</u>	<u>Actual</u>	<u>UOB Forecast</u>	<u>Mkt Forecast</u>	<u>Previous</u>
<u>05 Jun</u>						
2200	US ISM non-Manufacturing	May	59.7	54.0	55.3	56.0
<u>06 Jun</u>						
2030	US Labour Costs, Rev Q1	Q1		2.1	1.2	0.6%
2030	US Productivity, revised Q1	Q1		1.0	1.1	1.7%
<u>07 Jun</u>						
2030	Initial Claims	w/e6/02		317	310	310k
2200	US Wholesale Inventories	Apr		-	0.3	0.3%
<u>08 Jun</u>						
2030	US International trade, \$	Apr		-	-63.50	-63.89bn

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