RHB Bank

Daily Outlook – 9 Sept 2010

London – New York Market (as at 8 Sept 2010)

Currency	High	Low	Close
USD/JPY	84.05	83.57	83.88
EUR/USD	1.2764	1.2659	1.2722
GBP/USD	1.5534	1.5413	1.5468
AUD/USD	0.9194	0.9135	0.9183
NZD/USD	0.7240	0.7175	0.7227
USD/SGD	1.3460	1.3420	1.3436

Mid Rate	Open 8.30am 9 Sept 2010	Close 4.30pm 8 Sept 2010
USD/SGD	1.3435	1.3460
JPY/SGD	1.6020	1.6080
EUR/SGD	1.7110	1.7080
GBP/SGD	2.0770	2.0780
AUD/SGD	1.2350	1.2330
NZD/SGD	0.9715	0.9670

Other Main Highlights

DJI 10387.01 +46.32

EUR rose against USD, buoyed by successful bond auctions in Portugal and Poland. Portugal raised 1.04 billion euros, helping soothe fears about government funding in Europe. Poland's sale of 3.6 billion zlotys worth of five-year bonds also saw solid demand. Another factor helping euro rise was Ireland's finance ministry saying nationalized lender Anglo Irish Bank will be split into a funding bank and an asset recovery bank to wind down its assets.

Even as European debt fears eased somewhat, lingering concerns about the global economic recovery kept intact the safe-haven appeal of the yen. JPY remained stable against USD at 83.88 yen. Earlier on the session, USD/JPY fell to as low as 83.34 yen, its lowest since 1995.

U.S. and European stock markets rose as worries about Europe's debt problems eased.
The Dow Jones industrial average closed up 46.32 points, or 0.45 percent, at 10,387.01. In Japan, however, the benchmark Nikkei stock index ended down 2.18%, as the strong yen hurt prospects for exporters.

A rate rise from the Bank of Canada and surprisingly strong Canadian manufacturing data helped risk appetite.
CAD soared after the Bank of Canada raised its key interest rate by 25 basis points to 1.0% and left the door open for further rate hikes.

USD showed little reaction to the Federal Reserve's Beige book report. The U.S. central bank observed "widespread signs" that economic growth had eased in the six weeks through

Key Economic Indicators Due Today

		Period	Forecast
GB	Bank of England interest rate decision		
	Trade	Jul	- 7.45 B
US	Jobless Claims week ended		470 K
	International Trade	Jul	- 47.3 B

Overnight FX Highlights

USD/JPY fell as low as 83.34 yen, its lowest since 1995, when it struck an all-time low of 79.75 yen. Late New York, USD/JPY was around 83.88 yen, up 0.04%.
Persistent buying by investors seeking a temporary refuge in the yen helped push USD/JPY through a major option trigger below 83.50 yen as traders also probed how far Japanese authorities are willing to let the dollar fall and the yen rise before stepping in to curb yen gains. Japan has not intervened in the market since 2004.
Bank of Japan Governor Masaaki Shirakawa reiterated his reluctance to return to quantitative easing although he indicated the central bank was weighing its options. Finance Minister Yoshihiko Noda again warned he would take decisive action if necessary.
Japanese core machinery orders jumped 8.8% in July, their fastest rise in seven months, but the outlook for corporate capital spending remains murky due to the yen's strength and a slowdown in the global economy. Core orders rose 15.9% in July from the same period a year earlier, more than the median estimate for an 8.1% annual increase, Cabinet Office data showed.

EUR rose 0.3% against USD to 1.2722, buoyed by successful bond auctions in Portugal and Poland that made the currency's fall on Tuesday appear overdone.
Portugal raised 1.04 billion euros, helping soothe fears about government funding in Europe. Poland's sale of 3.6 billion zlotys worth of five-year bonds also saw solid demand.
Another factor helping euro rise was Ireland's finance ministry saying nationalized lender Anglo Irish Bank will be split into a funding bank and an asset recovery bank to wind down its assets.
EUR/USD had tumbled 1.5% on Tuesday after a news report suggesting recent stress tests of European banks sector underestimated some lenders' holdings of potentially risky government debt. The Basel Committee of banking regulators may also announce extra capital requirements for banks this weekend. Traders said the focus was turning to significant option expiries on Thursday, when an estimated 1 billion euros are set to roll off at 1.2600.

GBP/USD was up 0.7% at 1.5468, recovering from a six-week low of 1.5296 struck on Tuesday on data that eased concerns about a slowing housing market and as gains in stock markets supported risk-taking sentiment. Data from mortgage lender Halifax showed British house prices rose for the second month running in August, confounding expectations for a fall. House prices rose 0.2% in August, adding on to a 0.7% rise in July.
Other data showed British manufacturing output rose 0.3% in July, the same pace as the previous two months, lifting the annual rate to 4.9%--the highest since December 1994.
GBP also gained on news that Vodafone had sold its minority stake in China Mobile.
But signs of a slowing economic recovery may temper gains. Despite the brighter Halifax data, house prices from mortgage lender Nationwide saw a fall of 0.9% for the same month.
The National Institute of Economic and Social Research said economic growth in Britain slowed sharply to 0.7% in the three months to August from 1.3% in the three months to July and looks set to weaken further.

AUD/USD gained 0.8% to 0.9183, after touching a one-month high of 0.9194 as better global data helped calm the latest bout of risk aversion.
Australia data showed the number of mortgage commitments rising 1.7% in July, much as expected.The number of mortgage commitments to build new homes fell for the ninth straight month, suggesting the supply of new homes will likely slow next year. That would not please the Reserve Bank of Australia, which wants more new homes to be build to cap house prices.
Australia's new Labor government said on Wednesday it was aiming to enact a new mining tax as soon as possible, but could tweak its design after talks with a loose coalition of independents backing it in minority rule.

NZD/USD was up 0.4% at 0.7227, after reaching as high as 0.7240.
New Zealand Finance Minister Bill English said the cost of rebuilding after Saturday's Christchurch earthquake has doubled to NZ$4 billion, but the government's finances can absorb the blow.
Chance of a NZ rate rise in the near term dimmed after last week's NZ quake. Implied rate for a hike on Sept 16 slipped to 10%.

FX Outlook

Asian stocks will likely rise on Thursday, as fears over the health of European banks eased, although there were signs that investors are not sure markets can extend gains much further.
The main Wall Street indexes rose between 0.5% and 0.9% in another low-volume session, as banks reversed the previous day's losses.

Thursday sees jobs data in Australia, with the unemployment rate seen dipping to 5.2%. Employment is seen rising around 29,000, with some chance that hiring for the August election may add to part-time jobs.RBA Assistant Governor Guy Debelle is also due to speak.
NZ sees building and manufacturing data, which was postponed from the previous day due to the Christchurch earthquake.

3.1150 is likely, with nearby target at the 3.1000 level.