

## Financial News – US & Far East

- U.S. Stocks dropped
- Oil fell
- Nikkei dropped below 8.000
- Australia Central Bank bought record AUD amount in October

### Today's main events:

- DEM: Producer Price Index
- GBP: Retail Sales
- USD: Initial Claims
- USD: Philly Fed



### American Time Zone:

#### U.S. Stocks dropped

U.S. stocks sank and benchmark indexes slid to their lowest levels since 2003 on growing concern over the health of the financial system and survival of the nation's car industry.

Citigroup Inc. slid 23 % to USD 6.40, a 13-year low, on a plan to buy USD 17.4 billion of troubled investment-fund assets. General Motors Corp. tumbled 9.7 % to its lowest price since the 1940s, while Ford Motor Co. lost 25 %. Fourteen companies in the Standard & Poor's 500 Index fell 20 % or more as government data signaled the recession is deepening.

The S&P 500 slipped 6.1 % to 806.58, extending its 2008 retreat to 45 %. The Dow Jones Industrial Average lost 427.47 points, or 5.1 %, to 7,997.28. The Nasdaq Composite Index decreased 6.5 % to 1,386.42. Twenty-eight stocks fell for each that rose on the New York Stock Exchange.

#### JPY rose as stocks continued lower

The yen advanced against the dollar and the euro as traders speculated a global drop in stocks will prompt investors to sell higher-yielding assets and pay back low-cost loans in Japan's currency.

Japan's yen also gained against the Australian dollar and the high-yielders on bets the deepening global economic slump will discourage carry trades.

#### Oil fell after inventory figures

Crude oil futures fell after a U.S. Energy Department report showed that inventories climbed more than forecast as fuel demand dropped.

### Far East Time Zone:

#### Japanese exports slide as global slowdown bites

Japan's exports logged their biggest annual decline in seven years in October, pushing the trade balance into deficit and reinforcing worries the global financial crisis may push the economy deeper into recession.

Exports to Asia fell for the first time since 2002 with sales to China also falling, a sign that fallout from the credit crisis has spread across Japan's key export destinations.

Exports fell 7.7 % in October from a year earlier, almost matching economists' median forecast for a 8.0 % drop to record their biggest decline since December 2001, finance ministry data showed. Imports rose 7.4 % from a year earlier.

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## **Australia Central Bank bought record AUD amid Oct plunge**

Australia's central bank intervened to buy a record amount of its currency in October as turmoil in global markets sent the Aussie tumbling to five-year lows, data out on Thursday showed.

Showing its commitment to keeping markets orderly in extraordinary times, the Reserve Bank of Australia (RBA) bought a net AUD 3.15 billion (USD 2.0 billion) in October. That was the largest amount ever bought in a single month and the first purchase since 2001.

At the time of the intervention it equalled almost 10 % of the central bank's entire official reserves, which then only totalled AUD 36 billion. Ironically, the slide in the local dollar has since boosted the value of the RBA's reserves to AUD 44.9 billion even after the intervention. Unlike many of its Asian neighbours, Australia has never favoured holding large forex reserves preferring to allow the currency to float freely and find its own level.

However, in October conditions became extreme as turmoil in global markets and fears of a world recession sent the local currency crashing by 25 % over the month to hit five-year lows near 60 U.S. cents.

The RBA has since intervened sporadically when the market has become disorderly. Last week it bought the local currency around USD 0.6350 after it dived around 6 U.S. cents in just a couple of days.

## **Oil fell below USD 53 on US stocks drop, demand dropped**

Oil fell for a fifth straight session to below USD 53 on Thursday after U.S. crude inventories climbed twice as much as expected, signalling an economic downturn is hitting hard and demand for fuel is falling.

Oil also took its lead from equities, which fell in the United States and Europe to their lowest in 5- years after U.S. consumer prices dropped at a

record pace in October and as prospects faded for a bailout of the U.S. car industry.

U.S. light crude for December delivery, due to expire later on Thursday, fell 68 cents or 1.3 % to USD 52.94 a barrel. Wednesday's USD 53.62 a barrel was the lowest settlement since Jan. 22, 2007. London Brent crude rose 48 cents to USD 52.20 at 0112 GMT.

## **Global stocks hit 5-½ yr lows, Asia routed**

Investors are bracing for tough conditions ahead after the latest bearish signals for the global economy. The Federal Reserve slashed its U.S. growth forecasts, U.S. consumer prices fell at a record pace last month, and Japan's October exports fell by the most in seven years. The bleak outlook, which is hitting sectors from South Korean chip makers to U.S. auto makers, comes amid renewed worries about the global financial system.

Citigroup C.N shares tumbled to a 13-year low on Wednesday as investors questioned survival prospects. Like dominoes, Asian markets fell a day after U.S. stocks hit their lowest in more than five years. The MSCI All-Country World Index was down 0.7 % at 0200 GMT, having hit its lowest level since May 2003.

The rout was especially pronounced in Japan, where the Nikkei Average dropped 4.3 %, and below the key technical level of 8,000 points for the first time in three weeks. South Korean shares tumbled more than 4 % too, while markets from Sydney to Singapore and Taiwan fell between 1-3 % each.

# O/N BRIEFING

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| Stocks        |                      |          | Commodities                  |          |             |
|---------------|----------------------|----------|------------------------------|----------|-------------|
| Indices       | Level                | %-change |                              | Prices   | Change      |
| DJI           | 7997                 | -5,1     | CRB                          | 240,56   | -1,79       |
| Nikkei        | 7808                 | -5,6     | Brent 1. pos                 | 51,72    | -0,95       |
| DAX           | 4354                 | -4,9     | Gold Spot                    | 736,00   | 2,00        |
| FTSE          | 4006                 | -4,8     | LME Copper                   | 3.590,00 | -160,00     |
| OMXS30        | 594                  | -5,3     | CRB Raw                      | 348,82   | -0,70       |
| SP500         | 807                  | -6,1     | <b>Interest rate futures</b> |          |             |
| Neu. Markt    | 520                  | -6,4     | Dec08                        |          | <b>Pct.</b> |
| Nasdaq        | 1386                 | -6,5     | EuroUSD                      |          | 2,00        |
| OMXC20        | 250                  | -3,7     | EuroYen                      |          | 0,81        |
| SOX Semicond. | 177                  | -7,7     | Euribor                      |          | 3,48        |
| DRG Pharma    | 249                  | -5,2     | Eurostg                      |          | 3,44        |
| CXBT Biotech  | 656                  | -4,8     | EuroChf                      |          | 1,50        |
| CUTL Telecom. | 131                  | -7,0     |                              |          |             |
| Bonds         |                      |          |                              |          |             |
| 10-year       | Rate                 | Pct.     |                              | Spread   | Change      |
| Tbond Dec08   | 119,63               | 3,32     | 2Y-5Y US                     | 95       | -2          |
| JGB Dec08     | 138,87               | 1,52     | 5Y-10Y US                    | 131      | 0           |
| Bund Dec08    | 119,70               | 3,62     | 10Y-30Y US                   | 61       | 1           |
| Gilts cash    | 115,29               | 4,12     | CorpAA-30Y US                | 220      |             |
| Sek10Y cash   | 106,25               | 2,40     | OAS-30Y US                   | 145      |             |
|               |                      |          | EMBI Global Div.             | 784      |             |
| FX-range      |                      |          |                              |          |             |
|               | New York 16:00-23:00 |          | Far East 23:00-05:30         |          |             |
|               | Range                | Open     | Range                        | Open     |             |
| EUR/SEK       | 1014,50/1026,20      | 1015,00  | 1022,90/1023,75              | 1023,75  |             |
| EUR/NOK       | 779,25/886,50        | 881,50   | 883,30/883,50                | 883,50   |             |
| EUR/DKK       | 745,18/745,35        | 745,25   | 745,25/745,30                | 745,30   |             |
| USD/DKK       | 581,65/595,60        | 583,30   | 594,95/597,65                | 596,35   |             |
| EUR/USD       | 125,13/128,14        | 127,77   | 124,70/125,27                | 124,97   |             |
| USD/JPY       | 95,69/96,99          | 96,80    | 95,29/96,12                  | 95,78    |             |
| EUR/JPY       | 119,81/124,08        | 123,73   | 118,87/120,15                | 119,70   |             |
| USD/CHF       | 119,43/121,46        | 119,65   | 121,03/121,46                | 121,35   |             |
| EUR/CHF       | 151,63/153,23        | 152,95   | 151,31/151,70                | 151,65   |             |
| GBP/USD       | 149,54/152,50        | 152,00   | 149,25/149,96                | 149,53   |             |
| EUR/GBP       | 83,43/84,12          | 84,00    | 83,33/83,68                  | 83,57    |             |
| AUD/USD       | 63,63/65,97          | 65,35    | 63,40/64,16                  | 63,71    |             |
| NZD/USD       | 54,15/55,65          | 55,20    | 53,86/54,32                  | 54,20    |             |
| USD/CAD       | 122,90/125,53        | 123,30   | 125,20/125,62                | 125,42   |             |

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