

Market Watch

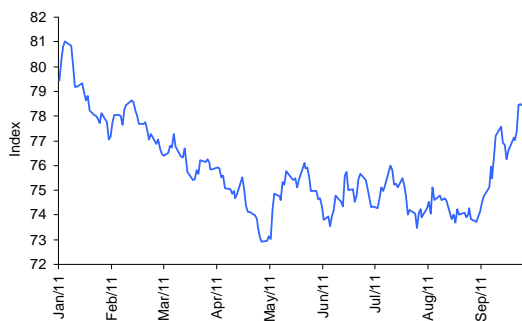
27 September 2011

Revision to FX forecasts

SUMMARY

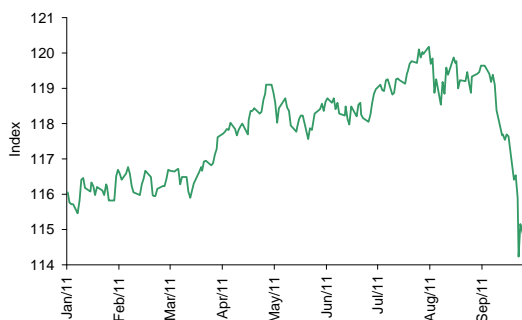
- Greater risk-aversion has led to a USD rebound against most currencies
- Our colleagues at Standard Chartered Global Research have significantly changed their currency forecast for 2011 and 2012:
 - The EUR, GBP, AUD and AXJ currencies are expected to extend losses against the USD in Q4
 - In Asia, the IDR, MYR, SGD, TWD, KRW and INR will be the most significantly affected
 - JPY is expected to remain strong
 - CNY is expected to continue on its appreciating trend due to inflationary pressures and geopolitical considerations
 - Asian currencies to resume appreciating trend in 2012

USD bounces on higher risk-aversion DXY Index



Source: Standard Chartered, Bloomberg

Large portfolio outflows drive Asian currencies low ADXY Index



Source: Standard Chartered, Bloomberg

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USD bounce on global de-leveraging to extend in Q4

- There are three main reasons for the current USD appreciation:
 - The return of the USD as a safe haven currency,
 - Renewed anemic growth in the developed world,
 - The collapse of risk-adjusted returns on USD-funded carry-trades.
- In Q4 2011, USD/AXJ should keep going higher due to the slowdown in the global industrial cycle and capital outflows.
- Most vulnerable currencies are those where positioning is heaviest and those which have the highest correlations with the global industrial cycle and capital outflows; in particular the IDR, MYR, SGD, TWD, KRW and INR.
- The rate of depreciation may be managed by direct and indirect intervention by domestic authorities: eg, IDR, KRW

Asian currencies to resume appreciating trend in 2012

- Asian currencies expected to resume their appreciating trend in 2012 on the back of strong domestic growth prospects, large current account surpluses and their undervaluation. Capital inflows are also expected to continue to flow into AXJ economies throughout 2012, in line with our expectations for QE3 to be implemented in Q1 2012.

Conclusion

- These revisions by our colleagues at Standard Chartered Global Research are supportive of the views of the Global Investment Committee reported Friday in our *Monthly Market Outlook*.

Revision of key foreign exchange forecast by Standard Chartered Global Research

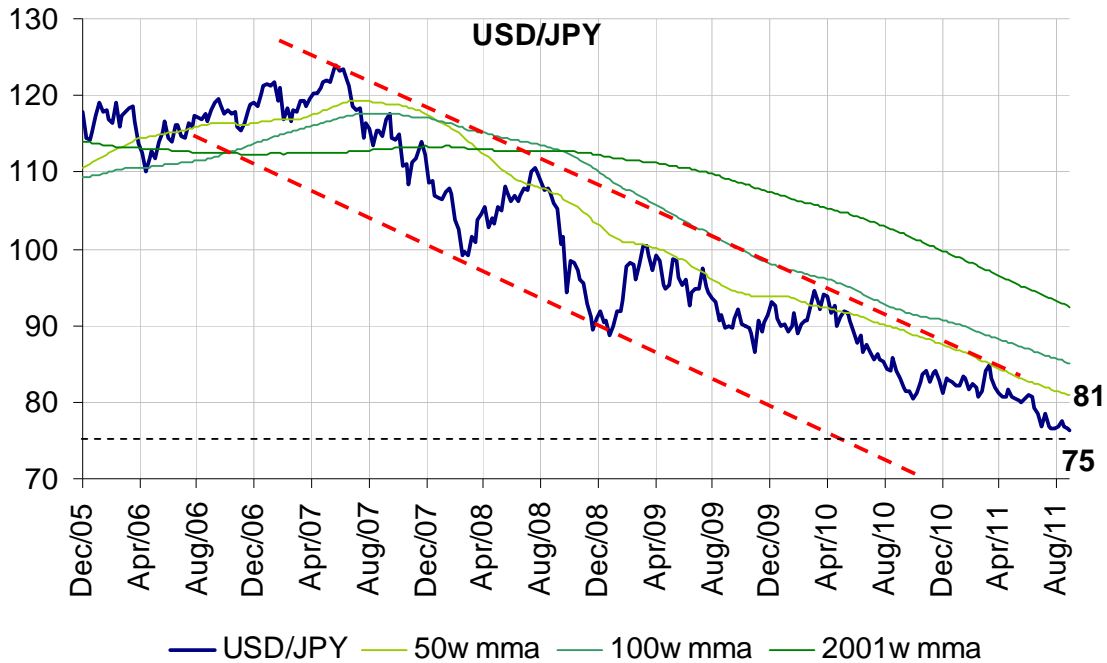
Previous forecast in red and italics

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
EUR/USD	1.34	1.28	1.3	1.35	1.38	1.42	1.45
	<i>1.45</i>	<i>1.48</i>	<i>1.45</i>	<i>1.42</i>	<i>1.38</i>	<i>1.42</i>	
USD/JPY	77	76	76	75	74	74	74
			<i>80</i>	<i>85</i>	<i>88</i>	<i>88</i>	
GBP/USD	1.52	1.48	1.51	1.55	1.6	1.65	1.70
	<i>1.64</i>	<i>1.67</i>	<i>1.66</i>	<i>1.65</i>	<i>1.64</i>	<i>1.69</i>	
USD/CHF	0.91	0.94	0.93	0.91	0.90	0.89	0.87
	<i>0.83</i>	<i>0.81</i>	<i>0.83</i>	<i>0.86</i>	<i>0.97</i>	<i>0.90</i>	
AUD/USD	0.96	0.91	0.94	0.96	1.00	1.05	1.08
	<i>1.08</i>	<i>1.13</i>	<i>1.09</i>	<i>1.06</i>	<i>1.05</i>		
NZD/USD	0.77	0.74	0.79	0.82	0.85	0.88	0.9
	<i>0.86</i>	<i>0.93</i>	<i>0.94</i>	<i>0.89</i>	<i>0.88</i>	<i>0.86</i>	
USD/CAD	1.04	1.07	1.05	1.03	1.00	0.98	0.96
	<i>0.96</i>	<i>0.92</i>	<i>0.93</i>	<i>0.94</i>	<i>0.95</i>	<i>0.96</i>	
USD/CNY	6.39	6.31	6.24	6.18	6.12	6.06	6.01
USD/INR	50.2	51.0	49.8	48.5	47.0	45.8	45.0
	<i>44.0</i>	<i>43.5</i>	<i>43.0</i>	<i>43.0</i>	<i>42.5</i>	<i>42.0</i>	
USD/IDR	9300	9500	9200	9000	8800	8500	8300
	<i>8500</i>	<i>8300</i>	<i>8200</i>	<i>8300</i>	<i>8100</i>	<i>7900</i>	
USD/MYR	3.20	3.30	3.20	3.15	3.10	3.00	2.90
	<i>2.93</i>	<i>2.88</i>	<i>2.83</i>	<i>2.90</i>	<i>2.85</i>	<i>2.75</i>	
USD/PHP	44.0	45.0	44.0	43.5	43.0	42.0	41
	<i>42.0</i>	<i>41.0</i>	<i>40.0</i>	<i>41.0</i>	<i>40.0</i>	<i>38.5</i>	
USD/SGD	1.32	1.35	1.32	1.30	1.28	1.24	1.21
	<i>1.19</i>	<i>1.17</i>	<i>1.15</i>	<i>1.18</i>	<i>1.16</i>	<i>1.13</i>	
USD/KRW	1200	1200	1120	1075	1025	1000	1000
	<i>1072</i>	<i>1055</i>	<i>1025</i>	<i>1000</i>	<i>995</i>	<i>970</i>	
USD/TWD	31.0	31.0	29.3	28.6	28.5	27.9	27.7
	<i>28.6</i>	<i>28</i>	<i>29.7</i>	<i>27.5</i>	<i>27.4</i>	<i>27</i>	
USD/THB	31.0	32.0	31.0	30.5	30.0	29.5	29.0
	<i>29.5</i>	<i>29.0</i>	<i>28.5</i>	<i>29.0</i>	<i>28.5</i>	<i>28.0</i>	

Source: Standard Chartered Global Research

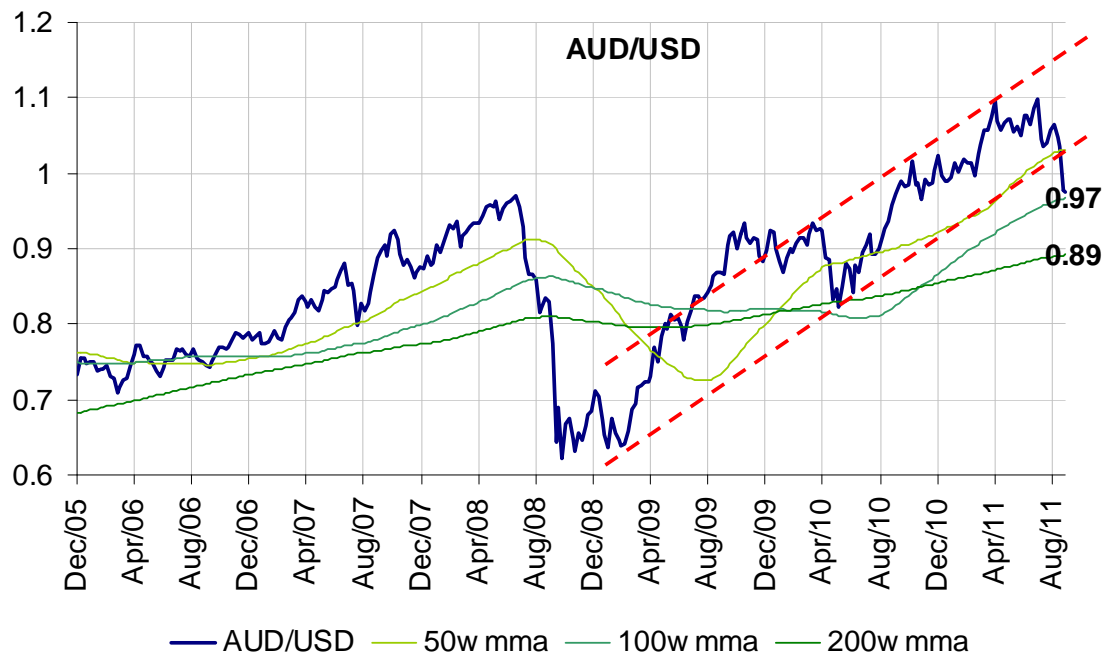
Technical Analysis

- USD/JPY continues to trade in a well-defined downward sloping channel (bullish for JPY, bearish for USD) since August 2006. In between, it has failed to break the resistance line of 50 WMA on corrections. Technically, we expect the JPY to continue its gradual appreciation, targeting 76 and then 75 in the coming weeks.



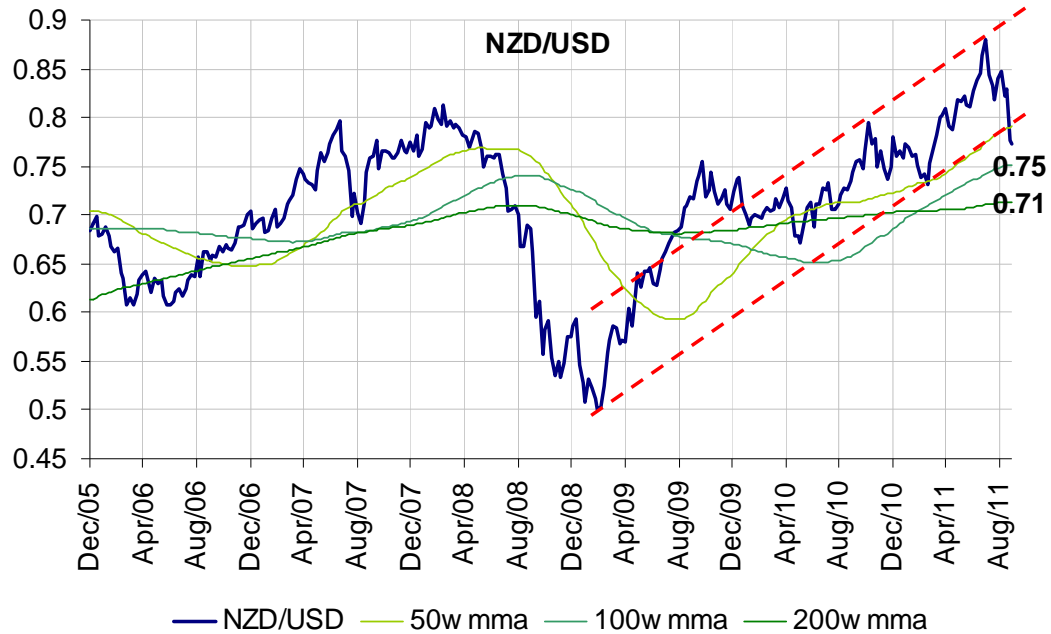
Source: Standard Chartered, Bloomberg

- AUD/USD has just broken its uptrend and is poised to test support at 0.97 (100 WMA). Parity is now a major resistance to any corrective rallies. If 0.97 is violated, the AUD/USD could drop further to test its key support at 0.89 (200 WMA)



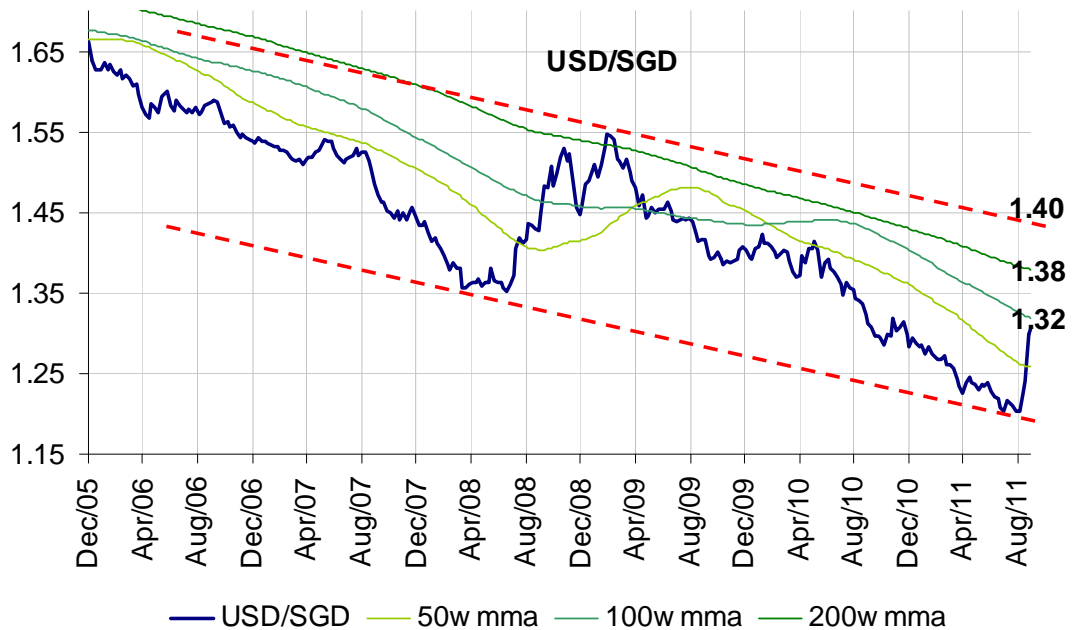
Source: Standard Chartered, Bloomberg

- NZD/USD has broken its uptrend and is poised to test its key support levels at 0.75 (100 WMA) and 0.71 (200 WMA).



Source: Standard Chartered, Bloomberg

- USD/SGD is having corrective rallies within its downward-sloping channel. We expect USDSGD to meet resistance at 1.3200 (100 WMA) but after some consolidation, should gather enough momentum to test key resistance at 1.3800 (200 WMA) and 1.4000 (trend-line resistance).



Source: Standard Chartered, Bloomberg

Disclosure Appendix

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