

Rabobank FX Daily

12 December 2007

Rabobank International
 Financial Markets Research
 RabobankResearch@Rabobank.com
 Market Strategy Team
 +44 20 7664 9745

 www.Rabobank.com

DATA RELEASES AND EVENTS

09:30 UK Unemployment (Oct/Nov)

	Median	Range	Last
Claimant count, k	-5.0	-10.0/3.4	-9.9
Unemployment Rate,%	2.6	2.5/2.6	2.6
Avg Earn, 3m/12m, % (Oct)	4.2	4.0/4.3	4.1
Avg Earn, 3m/12m,% ex bonus	3.7	3.6/4.0	3.7

10:00 Eurozone Industrial Production (Oct)

	Median	Range	Last
mom,%	0.2	-1.0/0.9	-0.7

11:00 ECB member Ordóñez speaking

13:00 Norges Bank rate announcement – 25bp hike to 5.25% expected

13:30 ECB member Papademos speaking

13:30 US Trade Balance (Oct)

	Median	Range	Last
Balance, US\$ bn	-57.4	-60.0/54.5	-56.5

13:30 US Import Prices (Nov)

	Median	Range	Last
mom,%	2.0	0.1/2.8	1.8

13:30 Canada Trade Balance (Oct)

	Median	Range	Last
Balance, C\$ bn	2.3	1.9/3.7	2.6

19:00 US Treasury Budget (Nov)

	Median	Range	Last
Treasury Budget, US\$ bn	-95.0	-101.0/-60.0	-73.0

21:45 New Zealand Retail Sales (Oct)

	Median	Range	Last
mom,%	0.0	-0.5/0.5	1.0

Fed 'to act as needed' The Fed failed to surprise in terms of the 25bp cut in Fed funds, however the fact that they only trimmed the discount rate 25bp was seen as disappointing in terms of credit market pressures and in view of Bernanke's November 30 speech regarding being 'exceptionally alert and flexible'.

However, perhaps it would seem that the FT reports regarding the Fed announcing a new way of liquidity provision, perhaps as early as today, alleviating in part the discount window stigma or collateral concerns may prove assuage some of the more immediate Fed criticism in terms of the discount rate. Nevertheless it would seem likely that the tone of the statement leaves open a probability of the Fed marching rates down at a rate of 25bp a meeting until the downside risks to growth dissipate. However, the Fed have to remain cognisant to the inflation risks, if to only anchor inflation expectations. However, while we are likely to continue to see a slicing off of rates the reference to 'acting as needed' perhaps suggests that should the risks, particularly to growth, become heightened there is a window of opportunity for an inter-meeting move ahead of the next meeting, not until January 30. However, for now it seems likely that EUR USD will remain in the ranges while the equity market reaction to the Fed, initially negative on the basis of disappointment of the discount rate move and only 25bp in Fed funds, but now rebounding in terms of selling off to far, will continue to influence JPY performance and that of the carry trade currencies.

Banking on the Norges Bank. While we expect that the Norges bank will tighten by 25bp today, to 5.25% the market is far from certain with 5 of the 15 analysts polled by Bloomberg going for unchanged rates, the Norges bank have already tightened six times this year, including twice since the advent of the credit crisis. While the October monetary policy report may have seen a downward revision to the rate path with capacity constraints still close at hand there remains a reasonable probability that rates will peak at 5.50% in Q1. However, should either the Norges bank fail to move now or indicate that they are now done the NOK may prove to suffer, suggesting around NOK7.97 will remain a near term base versus the euro.

This document is issued by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. incorporated in the Netherlands, trading as Rabobank International ("RI"). RI is authorised by De Nederlandsche Bank and by the Financial Services Authority and regulated by the Financial Services Authority for the conduct of UK business. This document is directed exclusively to market counterparties and intermediate customers. It is not directed at private customers. This document does NOT purport to be an impartial assessment of the value or prospects of its subject matter and it must not be relied upon by any recipient as an impartial assessment of the value or prospects of its subject matter. No reliance may be placed by a recipient on any representations or statements outside this document (oral or written) by any person which state or imply (or may be reasonably viewed as stating or implying) any such impartiality. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. This document is for information purposes only and is not, and should not be construed as, an offer or a commitment by RI or any of its affiliates to enter into a transaction. The information contained in this document is not to be relied upon by the recipient as authoritative or taken in substitution for the exercise of judgement by any recipient. All opinions expressed in this document are subject to change without notice. Neither RI, nor other legal entities in the group to which it belongs accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Insofar as permitted by the Rules of the Financial Services Authority, RI or other legal entities in the group to which it belongs, their directors, officers and/or employees may have had or have a long or short position and may have traded or acted as principal in the securities described within this document, (or related investments). Further it may have or have had a relationship with or may provide or have provided corporate finance or other services to companies whose securities (or related investments) are described in this document. The distribution of this document in other jurisdictions may be restricted by law and recipients of this document should inform themselves about, and observe any such restrictions. This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of RI. By accepting this document you agree to be bound by the foregoing restrictions. © Rabobank International London Branch, Thames Court, One Queenhithe, London EC4V 3RL +44 (0) 20 7809 3000