

INDICATIVE RANGE FOR THE LAST TRADING DAY

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FX Rate	Open	High	Low	Close	Market Index	Open	High	Low	Close
EUR/USD	1.2716	1.2749	1.2667	1.2698	DOW JONES	12598.32	12611.42	12440.52	12442.49
USD/CHF	0.9446	0.9482	0.9421	0.9458	S&P 500	1324.82	1326.36	1304.86	1304.86
GBP/USD	1.5910	1.5933	1.5786	1.5797	NASDAQ	2874.71	2879.22	2813.69	2813.69
USD/JPY	80.33	80.40	79.14	79.28	DAX	6401.15	6413.05	6291.10	6308.96
AUD/USD	0.9914	0.9964	0.9883	0.9888	CAC	3054.58	3059.23	3002.68	3011.99
NZD/USD	0.7643	0.7681	0.7622	0.7633	NIKKEI	8789.47	8885.08	8765.71	8876.59
USD/CAD	1.0122	1.0196	1.0105	1.0196	TWSE	7304.40	7356.77	7274.32	7356.77
GOLD	1539.80	1580.30	1538.73	1574.28	HSI	19369.43	19452.30	19139.73	19200.93

Data Source: Bloomberg L.P.

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Stock / FX / Bond / Commodity

Hot News: Eurozone debt crisis worsens

Debt problems mount

- Greece's credit rating was downgraded to CCC from B1 by Fitch Ratings yesterday
- Moody's Investors Service also cut the credit rating of 16 Spanish banks, with negative outlook
- U.S. equities and major currencies plunged, while funds flew into the U.S. Treasuries. Treasury yields dropped

Citi's View

- The probability of Greece exiting the eurozone within the next 12 to 18 months may increase to 50-75%
- According to past experience, gold would be supported in the medium term as the Federal Reserve keeps interest rate low and maintains accommodative measures
- Technically, Spot gold/USD may find support at \$1,522/oz and may test higher at \$1,612-\$1,645

STOCK, BOND, COMMODITY & FX MARKET FOCUS

Market	Focus
US	<ul style="list-style-type: none"> • The S&P 500 plunged 1.5% to 1,304 yesterday. The Dow Jones Industrial Average dropped 1.2% to 12,442.
Asia	<ul style="list-style-type: none"> • Asian stocks advanced on faster-than-estimated economic growth in Japan and optimism the Federal Reserve will do more to stimulate the U.S. economy. • The MSCI Asia Pacific ex Japan Index rose 0.3% to close at 403.
HK/China	<ul style="list-style-type: none"> • China's stocks traded higher on speculation the government will boost spending and ease monetary policy to stem a deeper economic slowdown. • The Shanghai Composite Index surged 1.4% to close at 2,378. Hong Kong's Hang Seng Index slid 0.3% to close at 19,200; the Hang Seng China Enterprises Index fell 0.4% to close at 9,700.
Bond	<ul style="list-style-type: none"> • The 10-year U.S. Treasuries yield fell 6 basis points to close at 1.697%.
FX	<ul style="list-style-type: none"> • AUD depreciated as lower U.S. stocks yesterday heightened market risk. AUD/USD fell 0.3% to 0.9888 yesterday.
Commodity	<p>Crude Oil</p> <ul style="list-style-type: none"> • Oil declined as Spanish banks were downgraded and a U.S. gauge of manufacturing trailed projections, bolstering concern that economic growth will slow. • Crude oil futures trading on the New York Mercantile Exchange was down 0.3% to \$92.56 a barrel. <p>Spot Gold</p> <ul style="list-style-type: none"> • Gold jumped as a four-day slump and speculation that the Federal Reserve will announce more stimulus for the U.S. economy boosted demand for the precious metal. • Spot gold soared 2.3% to close at \$1,574.27 an ounce yesterday.

Daily FX & Market Commentary



FX & Commodity Market Focus and Technical Analysis

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Currency/ Commodity	Market Focus	Short Term Comment	Technical Analysis		
			0-3Mths Forecast	Support	Resistance
EUR/USD (EUR/HKD)	<ul style="list-style-type: none"> Euro weakened after Moody's confirmed to downgrade Spanish banks' credit rating. EUR/USD may test lower to 1.2624 (9.8088), and may face resistance at 1.3000 (10.1010). 	Bearish	1.3000 (10.1010)	1.2624 (9.8088)	1.3000 (10.1010)
USD/JPY (JPY/HKD)	<ul style="list-style-type: none"> Yen was supported as Japan's Q1 GDP growth was higher than expected at an annualized rate of 4.1%. USD/JPY may test lower to 78.28 (99.2591), and may face resistance at 82.67 (93.8881). 	Bearish	81.00 (95.9259)	78.28 (99.2591)	82.67 (93.8881)
GBP/USD (GBP/HKD)	<ul style="list-style-type: none"> Sterling was pressured as the Bank of England signaled an expansion of the QE program in its quarterly inflation report. GBP/USD may consolidate between 1.5603-1.6090(12.1235-12.5019). 	Neutral	1.5700 (12.1989)	1.5603 (12.1235)	1.6090 (12.5019)
USD/CHF (CHF/HKD)	<ul style="list-style-type: none"> Swiss franc pared gains amid mounting EU debt woes yesterday. USD/CHF may test higher to 0.9547 (8.1387), and may find support at 0.9139 (8.5020). 	Neutral	0.9200 (8.4457)	0.9139 (8.5020)	0.9547 (8.1387)
USD/CAD (CAD/HKD)	<ul style="list-style-type: none"> Loonie was undermined by an unexpected decline in the international securities transactions of C\$2.08 billion. USD/CAD may test upper to 1.0282(7.5569), and may find support at 1.0000(7.7700). 	Bullish	0.9900 (7.8485)	1.0000 (7.7700)	1.0282 (7.5569)
AUD/USD (AUD/HKD)	<ul style="list-style-type: none"> AUD depreciated as lower U.S. stocks yesterday heightened market risk. AUD/USD may range trade between 0.9664-1.0000(7.5089-7.7700). 	Neutral	1.0300 (8.0031)	0.9664 (7.5089)	1.0000 (7.7700)
NZD/USD (NZD/HKD)	<ul style="list-style-type: none"> NZD declined as market risk grew after U.S. equities dropped yesterday. NZD/USD may test lower to 0.7480(5.8120), and may face resistance at 0.7780(6.0451). 	Bearish	0.8200 (6.3714)	0.7480 (5.8120)	0.7780 (6.0451)
Crude Oil	<ul style="list-style-type: none"> Oil declined as Spanish banks were downgraded and a U.S. gauge of manufacturing trailed projections, bolstering concern that economic growth will slow. Crude oil futures trading on the New York Mercantile Exchange was down 0.3% to \$92.56 a barrel. 	Neutral	USD105	USD90	USD102
Gold	<ul style="list-style-type: none"> Gold jumped as a four-day slump and speculation that the Federal Reserve will announce more stimulus for the U.S. economy boosted demand for the precious metal. Spot gold soared 2.3% to close at \$1,574.27 an ounce yesterday. 	Bullish	USD1,675	USD1,522	USD1,612

NOTE:

- For illustration on technical analysis, please refer to the examples on the next page.
- The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.77 exchange rate for reference, and 1,000 yen per unit for JPY/HKD.

Gold set to move higher

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Deepening EU debt fears may benefit gold price:

- Investors are increasingly concerned about the contagion of the EU debt crisis to Spain as Moody's confirmed to downgrade Spanish banks. Growing market risk will probably support gold price
- The precious metal may also be favored as the FOMC minutes released yesterday showed that some Fed policymakers are open to further easing measures to stimulate the economy.

Cautious: Gold price may be restrained if the dollar appreciates

Spot Gold/USD Technical Analysis (Daily Chart):

- Spot Gold/USD may test higher to \$1,612/oz
- Support may settle at \$1,522



Date as of May 17, 2012

Source: Bloomberg L.P.

AUD may trade range-bound

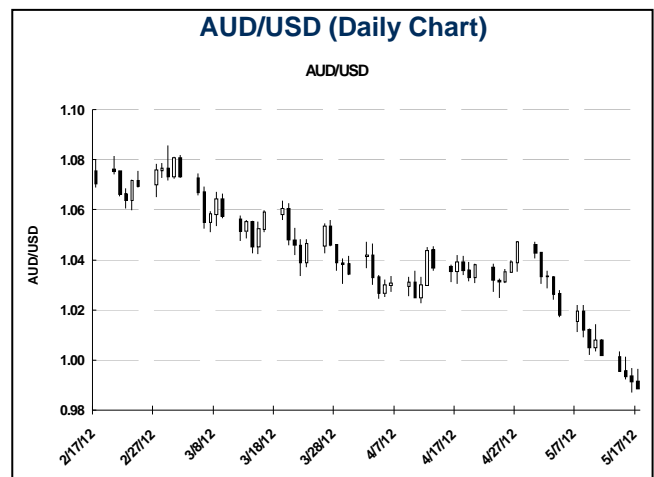
Market volatility likely be AUD-negative:

- Intensifying debt problems in Europe and concerns over China economic slowdown may weigh on AUD in the short term
- However, the currency may stabilize gradually as the minutes of the Reserve Bank of Australia's last meeting showed a rather neutral stance which is in line with expectations

Cautious: AUD may be undermined if the dollar rises

AUD/USD Technical Analysis (Daily Chart):

- AUD/USD may consolidate between 0.9664-1.0000(7.5089-7.7700)



Data as of May 17, 2012

Source: Bloomberg L.P.

Important economic figures (May 14, 2012 – May 18, 2012)

Date Time		Event		Actual	Survey	Prior
05/14/2012 06:45	NZ	Retail Sales Ex Inflation(QoQ)	1Q	-1.50%	-0.50%	1.80%
05/15/2012 09:30	AU	Reserve Bank Board May Minutes				
05/15/2012 15:00	EC	EU Finance Ministers Meet in Brussels				
05/15/2012 16:30	UK	Total Trade Balance (GBP/Mln)	MAR	-2739	-2900	-2948
05/15/2012 17:00	EC	Euro-Zone GDP s.a. (YoY)	1Q	0.00%	-0.20%	0.70%
05/15/2012 17:00	GE	ZEW Survey (Econ. Sentiment)	MAY	10.8	19.0	23.4
05/15/2012 20:30	US	Consumer Price Index (YoY)	APR	2.30%	2.40%	2.70%
05/15/2012 20:30	US	CPI Ex Food & Energy (YoY)	APR	2.30%	2.30%	2.30%
05/15/2012 20:30	US	Advance Retail Sales	APR	0.10%	0.20%	0.70%
05/15/2012 20:30	US	Retail Sales Less Autos	APR	0.10%	0.20%	0.80%
05/15/2012 21:00	US	Total Net TIC Flows	MAR	-\$49.9B	--	\$92.6B
05/16/2012 09:30	AU	Wage Cost Index YoY	1Q	3.60%	3.50%	3.60%
05/16/2012 16:30	UK	Jobless Claims Change	APR	-13.7K	5.0K	-5.4K
05/16/2012 16:30	UK	ILO Unemployment Rate (3mths)	MAR	8.20%	8.40%	8.30%
05/16/2012 17:00	EC	Euro-Zone CPI (YoY)	APR	2.60%	2.60%	2.70%
05/16/2012 17:30	UK	Bank of England Inflation Report				
05/16/2012 20:30	US	Housing Starts MOM%	APR	2.60%	4.70%	-2.60%
05/16/2012 20:30	US	Building Permits MOM%	APR	-7.00%	-4.50%	8.80%
05/17/2012 02:00	US	Minutes of FOMC Meeting				
05/17/2012 07:50	JN	GDP Annualized	1Q	4.10%	3.50%	0.10%
05/17/2012 20:30	CA	Int'l Securities Transactions	MAR	-2.08B	8.00B	12.54B
05/17/2012 20:30	US	Initial Jobless Claims	MAY	370K	365K	370K
05/17/2012 22:00	US	Leading Indicators	APR	-0.10%	0.10%	0.30%
05/18/2012 20:30	CA	Consumer Price Index YoY	APR	--	1.90%	1.90%
05/18/2012 20:30	CA	Bank Canada CPI Core YoY	APR	--	1.90%	1.90%
18-20 MAY	CA	G-8 Summit, Camp David				

Source: Bloomberg L.P.
(K = Thousand, M = Million, B = Billion)

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