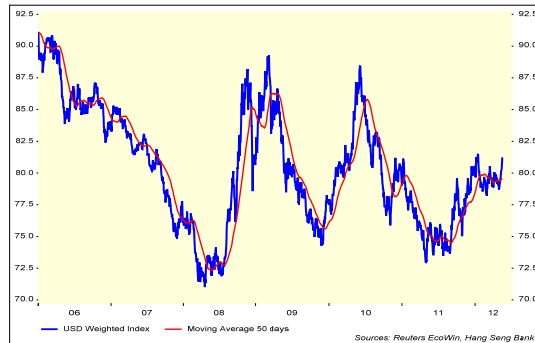
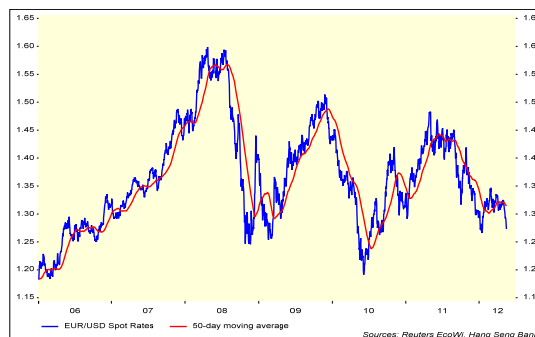


The Dollar Index Daily Chart



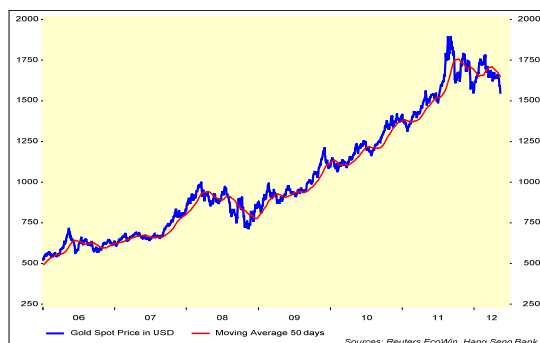
EUR/USD Daily Chart



GBP/USD Daily Chart



Spot Gold Daily Chart



US Dollar

The dollar surged to multi-month highs against other major currencies on further flight to quality purchase. Greece's political leaders failed to form a unity government and a fresh election will be held in mid-June. Opinion polls show that a new vote could favour anti-austerity parties that do not plan to adhere to Greece's bailout conditions. Such an outcome could threaten Greece's bailout deal, making a default and an exit from the euro more likely. Apart from political uncertainty in Greece, dollar sentiment was boosted by data which showed that the US economy continued to grow at the start of the second quarter, albeit at a slow pace. US retail sales rose 0.1% in April, and homebuilder sentiment jumped in May to its highest in five years. Meanwhile, inflation was mild with consumer prices remaining flat in April due to lower gasoline prices. In Europe, the German economy performed well in the first quarter, with a quarter-on-quarter growth of 0.5%, but a number of its neighbours, including the UK, Spain and Portugal fell back into recession. Risk aversion flows led to further losses in equities, the euro and the commodity-bloc currencies. The single currency fell to a four-month low of 1.2727, and the Australian dollar a five-month trough of 0.9926, against the greenback. The Greek saga is likely to weigh on sentiment, putting riskier assets under more downward pressure in coming days.

EUR/USD

The euro dropped to a four-month low as political parties in Greece failed to form a coalition government, setting the stage for the country to hold a fresh election expected on June 17. With an opinion poll indicating an anti-austerity party would finish first in the next election, investors fear that the new government would renege on its debt commitments and leave the eurozone, a move that would put at risk the stability of the common currency. Late in New York, the euro fell 0.9% to 1.2721/31 against the dollar, its lowest mark since mid-January.

GBP/USD

Fears of a Greek exit weighed on risk appetite, resulting in yet another poor session for the European currencies. The sterling faced additional headwinds on speculation that the Bank of England will slash its growth forecast in the quarterly Inflation Report due for release today. The policymakers were expected to deliver more hawkish tone this time around over concerns of price stickiness. Yet, the deteriorating external environment may spark a renewed rift among the policy makers on whether inflation remains as a major threat to the UK economy. The British pound retreated 0.7% to finish near 1.5988/98, its weakest level in almost a month.

Spot Gold

The sentiment of gold remained weak as the euro continued to fall against the dollar amidst Greece's failure to form a coalition government heightened worries over Eurozone's financial crisis. Spot prices dived to as low as USD1,544.50 per ounce, the 4-1/2 month low in the late New York trading session. At the end, the precious metal settled at USD1,544.20/1,545.20. It seems that the yellow metal has yet finished its downward trend.



Daily Commentary on FOREX

Treasury Division

Hang Seng Financial Bulletin

15 May 2012 Closing

	High	Low	Close	Previous
EUR/USD	1.2869	1.2727	1.2721/31	1.2838/48
USD/JPY	80.29	79.83	80.17/27	79.80/90
GBP/USD	1.6112	1.5994	1.5988/98	1.6093/03
USD/CHF	0.9439	0.9336	0.9431/41	0.9347/57
AUD/USD	1.0014	0.9926	0.9924/34	0.9967/77
NZD/USD	0.7796	0.7687	0.7679/89	0.7779/89
USD/CAD	1.0069	0.9992	1.0063/73	1.0019/29
EUR/JPY	102.86	102.08	102.04/14	102.50/60
EUR/GBP	0.8013	0.7955	0.7952/62	0.7973/83
Gold (in USD)	1,564.20	1,544.50	1,544.20/1,545.20	1,559.70/1,560.70
Silver (in USD)	28.46	27.59	27.72/27.74	28.14/28.16

(All currency rates listed above are not necessarily equivalent to actual market trading prices.)

Source: Hang Seng Bank, Bloomberg L.P.

(%)	HIBOR	USD LIBOR
O/N	0.10	0.15
1-month	0.30	0.24
3-month	0.40	0.47
6-month	0.58	0.73
1-year	0.90	1.06

Source: Reuters

US Treasury Yield (%)		
3-month	0.09	--
2-year	0.27	+0.01
5-year	0.73	+0.02
10-year	1.77	+0.01
30-year	2.92	--

Source: Bloomberg L.P., New York Close

International Interest Rates (%)			
HK Discount Window Base Rate	0.50	Japanese Overnight Call Rate	0-0.10
US Fed Funds Target Rate	0-0.25	Canadian Overnight Rate Target	1.00
British Repo Rate	0.50	Australian Cash Rate	3.75
Euro Refinancing Rate	1.00	New Zealand Cash Rate	2.50

Source: Central Bank Data

Today's Global Economic Calendar			
HK Time	Events/Releases	Forecast	Prior
16:30	United Kingdom Unemployment Rate (Mar)	8.4%	8.3%
17:00	Eurozone CPI (MoM) (Apr)	0.5%	1.3%
20:30	United States Housing Starts (Apr)	685K	654K
21:15	United States Industrial Production (MoM) (Apr)	0.6%	0.0%

Source: Bloomberg L.P.

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Hang Seng Treasury

- Joanne Yim
- Yvonne Ma
- Thomas Shik
- Andy Yao
- Ryan Lam

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong



HANG SENG BANK

Member HSBC Group