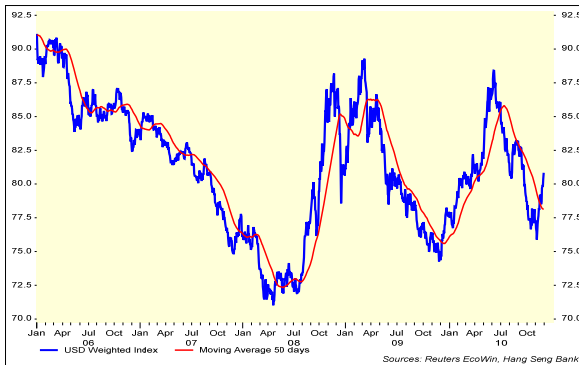


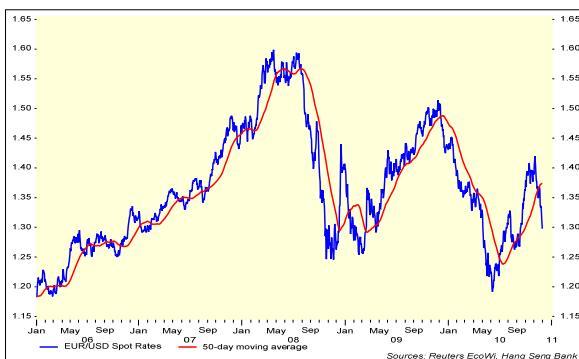
The Dollar Index Daily Chart



US Dollar

US dollar rose against most majors after a proposed extension of the Bush-era tax cuts for two more years led to sharply higher US Treasury yields, supporting the greenback. After talks with the Republicans, President Obama said that he would accept lower tax rates on high earners' income, dividends, capital gains and large-sized estates until the end of December 2013 in exchange for extending the federal unemployment insurance. The proposed deal sparked concerns over the government's debt burden, leading to a surge in Treasury yields. This helped underpin the dollar, particularly versus the Japanese yen. Meanwhile, while the Irish parliament passed the first in a series of austerity measures that are required for the country to qualify for an EUR85 billion aid package, investors were not impressed. They continued to worry that Ireland's problem would spread to other eurozone countries. The euro fell below the 1.33 level against the dollar. The Canadian dollar also suffered after the Bank of Canada left interest rate unchanged at 1% after its policy meeting and issued a rather dovish statement, reducing expectations for near term rate hikes. With no key US economic reports due for release, investor focus will probably remain on Europe.

EUR/USD Daily Chart



EUR/USD

The euro fell from a two-week high to hover below 1.33 against the greenback. Ireland's parliament passed part of austerity measures which are necessary for the country to get the EU/IMF EUR85 billion aid package. However, investors remained concerned that a new government, likely to be elected sometime next year, would overturn the budget. There were also fears that Ireland's debt problems would spread to other eurozone countries. The single currency lost 0.2% to close at 1.3288/98 against the dollar.

USD/JPY Daily Chart



USD/JPY

The dollar strengthened sharply versus yen on the back of rising Treasury yields after the US President Obama agreed to extend tax cuts for two years. Ten-year US Treasury yields hit 3.15%, the highest level since June 2009. The greenback gained over 1% versus yen on the day, climbing from an intraday low of 82.35 to an intraday high of 83.54 before closing at near session high of 83.42/52, the biggest daily gain against yen since 15-September when the Bank of Japan intervened in the currency market.

XAU/USD Daily Chart



Spot Gold

The upswing of gold lost steam yesterday. After briefly breaching the USD1,430 barrier, the yellow metal turned its route south in the New York trading session given a rebound in the dollar on the extension of the US tax cuts. Spot prices dived to as low as USD1,402.70 per ounce and then settled the day at USD1,409.50/1,410.50. Imminent support has drifted down to USD1,400.



Daily Commentary on FOREX

Treasury Division

Hang Seng Financial Bulletin

7 Dec 2010 Closing

	High	Low	Close	Previous
EUR/USD	1.3400	1.3278	1.3288/98	1.3313/23
USD/YEN	83.54	82.35	83.42/52	82.56/66
GBP/USD	1.5821	1.5706	1.5770/80	1.5723/33
USD/CHF	0.9859	0.9759	0.9854/64	0.9813/23
AUD/USD	0.9964	0.9866	0.9864/74	0.9893/03
NZD/USD	0.7666	0.7585	0.7589/99	0.7612/22
USD/CAD	1.0102	1.0013	1.0086/96	1.0037/47
EUR/YEN	111.10	109.58	110.90/00	109.97/07
EUR/GBP	0.8481	0.8424	0.8421/30	0.8463/72
Gold (in USD)	1,431.00	1,402.70	1,409.50/1,410.50	1,415.00/1,416.00
Silver (in USD)	30.70	28.52	28.61/28.74	30.12/30.18

(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	0.08	0.24
1-month	0.21	0.26
3-month	0.28	0.30
6-month	0.40	0.46
1-year	0.73	0.78

Source: Reuters

US Treasury Yield (%)		
3-month	0.13	+0.01
2-year	0.53	+0.11
5-year	1.72	+0.20
10-year	3.13	+0.21
30-year	4.37	+0.13

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	4.75
Euro Refinancing Rate	1.00	New Zealand Cash Rate	3.00

Source: Central Bank Data

Today's Global Economic Calendar			
HK Time	Events/Releases	Forecast	Prior
07:50 (9/12)	Japan Gross Domestic Product (QoQ Annualized) (Q3 F)	+4.1%	+3.9%

Source: Bloomberg L.P.

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Hang Seng Treasury

- Joanne Yim
- Bill Leung
- Irina Fan
- Yvonne Ma
- Thomas Shik

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong



HANG SENG BANK

Member HSBC Group