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Spot Level	BBH Outlook*		Driving Forces	Capital Market Trends
	1wk	1mo		
Chinese yuan 6.8348	↔	↔	<ul style="list-style-type: none"> CNY should continue trading sideways in Q4 and Q1; PBOC will continue to cut rates and reserve requirements in 2009. Oct data suggests slowdown is deepening, so we see more fiscal stimulus ahead as well; 12-mo NDFs pricing in 2.7% depreciation. 	<u>Yields:</u> Slowing growth will keep rate cut cycle alive in 2009.
Malaysian ringgit 3.6325	↑	↑	<ul style="list-style-type: none"> Central bank should cut rates when it meets next week, as growth is slowing even as inflation eased to 7.6% y/y in Oct from 8.2%. Political uncertainty continues despite the failure of opposition leader Anwar to unseat the government. 	<u>Yields:</u> Central bank likely to commence easing soon due to growth concerns.
Philippine peso 49.71	↑	↑	<ul style="list-style-type: none"> Central bank kept rates steady this week, citing concerns about the weak peso fanning inflation; we think this is misguided. Growth is very much at risk, and so we see rate cuts commencing by Q1 at the latest. 	<u>Yields:</u> Central bank likely to start cutting rates soon due to growth concerns.
Vietnam dong 16972	↑	↑	<ul style="list-style-type: none"> Central bank cut rates another 100 bp this month, and has eased 300 bp since Oct; it will continue cutting rates as inflation eases. Growth is slowing, so govt planning to cut taxes and boost spending; we do not see any major dong devaluation. 	<u>Yields:</u> Central bank likely to continue cutting rates due to slowing growth.
Israeli shekel 3.9827	↑	↑	<ul style="list-style-type: none"> Central bank cut 2009 growth forecast to 1.5% from 2.7%; Gov Fischer sees further easing, and 25 bp cut is expected next week. Leading index has fallen five straight months, so risks to the economy are rising; govt proposed \$5.5 bln fiscal stimulus plan. 	<u>Yields:</u> Central bank likely to cut rates further in Q4 and in 2009.
Latvian lat 0.5656	↑	↑	<ul style="list-style-type: none"> Rumors of a devaluation are making the rounds even as Latvia is in talks with IMF about \$2.1 bln loan program. Central bank is burning through reserves defending the peg against EUR, but this is unsustainable in our view. 	<u>Equities:</u> GDP contracted 4.2% y/y in Q3, and 2009 outlook is poor for growth and equities.
South African rand 10.6340	↑	↑	<ul style="list-style-type: none"> Inflation likely eased even further in Oct, so with growth concerns rising, SARB likely to cut rates in Dec. ZAR to remain under pressure, as fundamentals remain weak; political risks are rising with the split in the ruling ANC. 	<u>Yields:</u> SARB to cut rates regularly in 2009, perhaps totaling 300-400 bp.
Turkish lira 1.6780	↑	↑	<ul style="list-style-type: none"> Central bank surprised markets with 50 bp cut this week, so if IMF has signed off on this easing, more cuts are likely in 2009. Current account deficit fell sharply in Sep, and should narrow further as growth slows; however, Turkey remains vulnerable. 	<u>Equities:</u> Growth outlook has improved with rate cut, but equities are still vulnerable.
Argentine peso 3.3340	↑	↑	<ul style="list-style-type: none"> Economy is already slowing sharply; fiscal stimulus plan being discussed, but funding it will be difficult. Kirchner's move to seize control of private pension funds is a sign of desperation, with crisis likely sooner (2009) rather than later. 	<u>Equities:</u> Growth outlook is worse due to policy mistakes by the government.
Brazilian real 2.4395	↑	↑	<ul style="list-style-type: none"> Next COPOM meeting Dec 9/10; bank cannot think about tightening further, and will eventually cut rates in 2009. Fundamentals remain sound, but BRL is vulnerable to lower commodity prices and overall pessimism on EM. 	<u>Yields:</u> Market now sees end-2008 policy rate at the current 13.75% and end-2009 at 13.25%.
Chilean peso 682.60	↑	↑	<ul style="list-style-type: none"> Central bank kept rates steady in Nov; no move is seen in Dec, and slow growth should lead to rate cut by Q1. Inflation remains high at 9.9% y/y in Oct, but policy-makers should be more worried about recession risks. 	<u>Equities:</u> Slower growth is likely to weigh on equities.
Mexican peso 13.926	↑	↑	<ul style="list-style-type: none"> Recent weak data suggests fallout from US slowdown is being felt; central bank not expected to cut next week, though. Congress passed 2009 budget; deficit projected due to extra spending, but Mexico has leeway to use fiscal stimulus. 	<u>Yields:</u> Given weakness in economy, we think central bank will cut rates in Dec or Q1.

* Directional arrows reflect the expected trends in the dollar against the stated currency.

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