

Global Risk Watch Newsletter

Temporary Lull? Before Another Storm in the Financial Market, etc.

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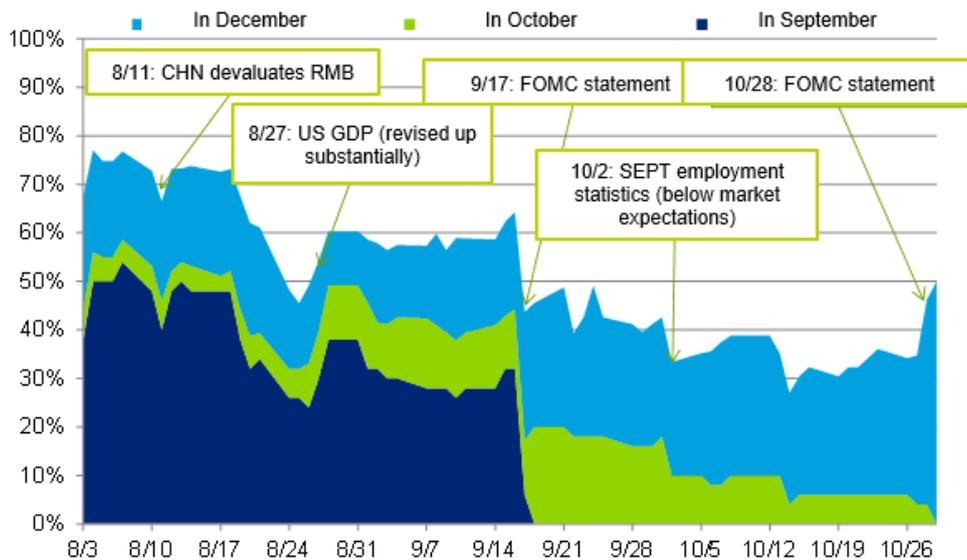
3.Highlight of Indicator for this Month

Likelihood of December Interest Rate Hike Reemerged (Yasuhiro Sobue, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

Since late October, the likelihood of an interest rate hike at the next FOMC meeting to be held on December 15th-16th has surged. One of the major triggers is that, the alert level for world economic and financial market turmoil has been lowered during the FOMC meeting in October as this was the biggest factor to postpone the interest rate hike previously in September. In addition, October US employment figures also show bright results and are well above expectations (non-farm sector added 271,000 jobs mom, unemployment rate declined to 5.0%). Hence, the anticipation of a December interest rate hike by the FRB is rising in the futures market (68% as of November 9th, exhibition below). Since late October in the financial market, global risk-off trends have gradually eased due to the receding anticipation of a US interest rate hike. The recent rises of interest rate hike anticipation, however, could re-trigger a risk-off financial market destabilization and hence the need to carefully watch the global market reactions

to this rate hike.

Anticipated likelihood of an interest rate hike by FRB



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