



Wednesday, October 15, 2008

After the rescue - back to fundamentals and reality.

We expect European markets to open 1.5% lower. Oil trading lower and EURUSD looking range bound.

Calendar

Today's Highlights:

Country	Name	Time (GMT)	Expectation	Prior	Comment
EC	E-Z CPI YoY (SEP)	09:00	3.6%	3.6%	We expect 3.7%
US	PPI YoY (SEP)	12:30	8.6%	9.6%	
US	Advance Retail Sales (SEP)	12:30	-0.7%	-0.3%	

What's going on?

Theme Comment

- Risk appetite clearly got ahead of itself yesterday after historic 2-day equity rally (as much as 25% in S&P500 from Friday bottom to Tuesday top!).
- Most markets in Asia fell on the day, though the Nikkei managed to eke out a 1% gain
- It is important for the various credit spreads to come in further for a renewed rally in risk. The US 3-month Libor vs. T-bill spread dropped 11-12 bps, but still above a week ago. 2 yr. dollar swap spreads fell sharply yesterday as bond market reopened in the US.
- Theme shift: we will now have a renewed focus on the main street economy if worst part of financial crisis now behind us: US Retail Sales for September up today the first key indicator. Could be worse than expected
- Norges Bank looking to cut 50 bps today - as Scandies remain very weak.
- USD reaction to markets continues to be: the more risk appetite, the weaker and vice versa - same as JPY and CHF
- Intel's revenue and earnings were solid yesterday - a positive sign in an otherwise ugly earnings landscape
- In Canada, elections were held yesterday and it appears that the Conservative Harper will remain in power - though still with a minority government. No apparent FX implications so far.

FX

FX	Daily stance	Comment
EURUSD	0	Looking rangy: 1.3610-50 is resistance zone. Support down below 1.3500. Prefer test lower
EURJPY	-	Could see another consolidation leg lower. Resistance 139.20-75, support 137.00
USDJPY	0	103.00 key resistance held yesterday. Outlook bearish below 102.00 for test of 101.15 support
GBPUSD	0	GBP weakened late yesterday, but picture unclear. 1.7500 resistance area. 1.7380 support
EURSEK	+	SEK couldn't rally when risk appetite high - so may test toward 10.00 soon with 9.75 as ST support

Equities

Equities	Daily stance	Comment
DAX	-	Sell at the break of 5190. Target 5130. S/L 5218.
FTSE100	-	Sell at the break of 4382. Target 4335. S/L 4398.
S&P500	-	Sell at the break of 1011. Target 984. S/L 1020.
NASDAQ	-	
NIKKEI225	-	

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