

Theme Comment

- The sovereign debt crisis in Europe continues to dominate the headlines. Spain and Portugal announced expansions to their (intended) budget cuts, which will act as a drag on growth. The EURUSD took out the 1.25 support on Friday as several rumours made rounds in the media, and the EUR pounding has continued overnight (now at 1.2265).
- US numbers last Friday were generally good with retail sales out at 0.4% (and 0.4% ex Autos) despite the weaker vehicle sales in April (-3.0%). Industrial production continues to grow at a solid pace (0.8%) led by manufacturing (1.0%).
- We are negative on risk today. It is a quiet day in terms of earnings announcements and macro data, and we expect the EZ problems to remain the focal point.

Economic Data Releases

Country	Time (GMT)	Name	Saxo	Consensus	Prior
US	12:30	Empire Manufacturing (MAY)		30.00	31.86
US	13:00	Net Long-term TIC Flows (MAR)		\$50.0B	\$47.1B
US	17:00	NAHB Housing Market Index (MAY)		20	19

FX	Daily stance	Comment
EURUSD	0	May see temp suppt 1.2235-50 area, but look to sell bounce to 1.2430 for next leg lower. Stop 1.2495
USDJPY	0/-	Look to drift lower to 91.25 lvl. Abv 92.35 defers.
EURJPY	0	112.50 immed suppt. Below targets 111.50 with res at 114.50.
GBPUSD	0/-	Look to sell rebound to 1.45 for next leg lower target 1.4110.
AUDUSD	0	Chance of rebound back to 0.8840 while holding abv 0.8695-0.8725 window.
USDCAD	0	May see res at 1.0425, 1.0495 max, before retracement back to 1.0225. Abv 1.0550 negates.

FX-Options	Comment
EURUSD	Curve is higher with most broker interests being buyers and the 12m getting paid at 14.0 in Ny on Friday. Asian session sees overnight ATM vols getting paid at 33% as spot falls.
USDJPY	Yen vols higher along with the general risk aversion. Spot remains weak and risk reversals are marked higher. Vols will likely catch up to other yen pairs which have rallied harder.
AUDUSD	Vols paid up quickly in a nervous session. 1m opened 13.7 and was 14.75 bid by the end of the Asian session. Risk reversals are also up roughly 1 vol across the curve.

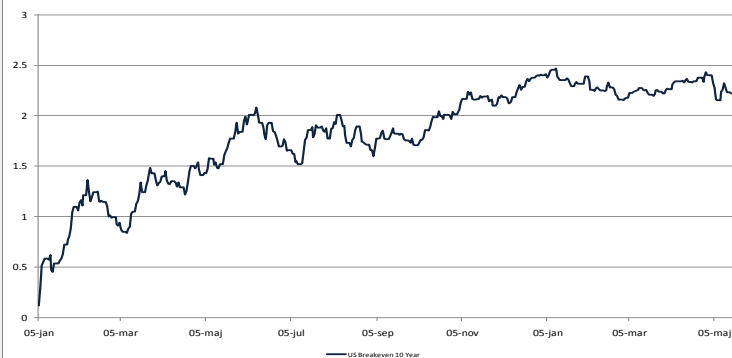
Equities	Daily stance	Comment
DAX	0/-	Sell at the break of 6014 targeting 5924. S/L above 6040.
FTSE	0/-	Sell at the break of 5244 targeting 5178. S/L above 5275.
S&P500	0/-	Sell at the break of 1122 targeting 1108. S/L above 1128.
NASDAQ100	0/-	
DJIA	0/-	

Commodities	Daily Stance	Comment
Gold	0/+	Buy at the break of 1242.50 targeting 1248. S/L below 1239.
Silver	0/+	Buy at the break of 19.40 targeting 19.68. S/L below 19.30.
Oil (CLM0)	0/-	Sell at the break of 69.50 targeting 68.50. S/L above 70.15.

Earnings Releases

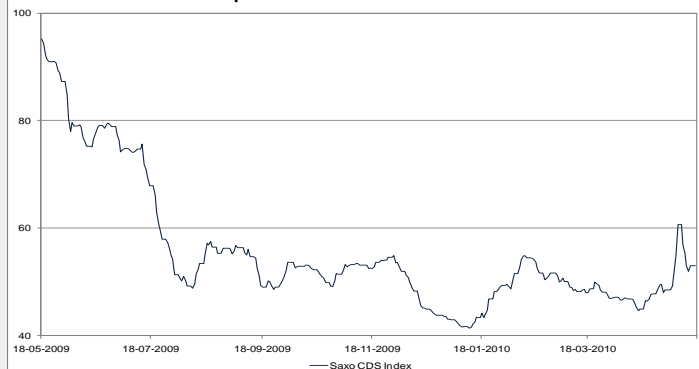
Country	Time (GMT)	Name	EPS exp.	EPS prior	Comment
US	Bef-Mkt	Lowe's Cos	0.315	0.140	

US Breakeven 10 Year



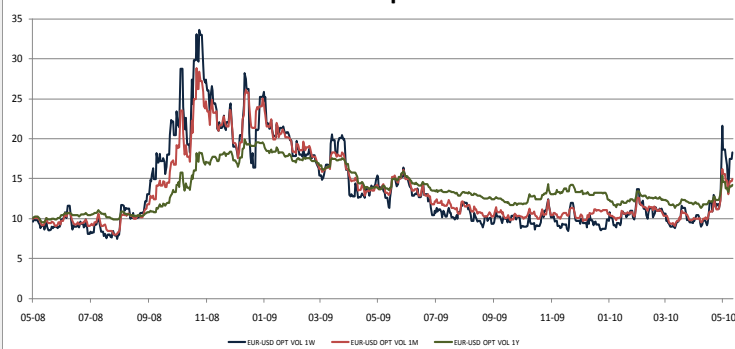
USD breakeven 10 Year – an expression for measuring inflation expectations.

Top 100 Global Stocks CDS Index



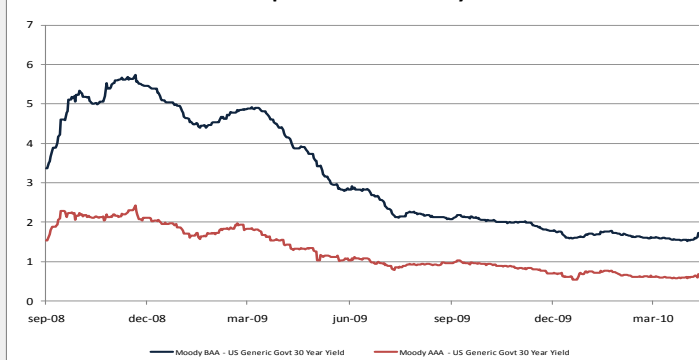
Credit Default Swaps are expressions for the perceived default risk in a company. **Now at 53.**

EURUSD Opt. Vol.



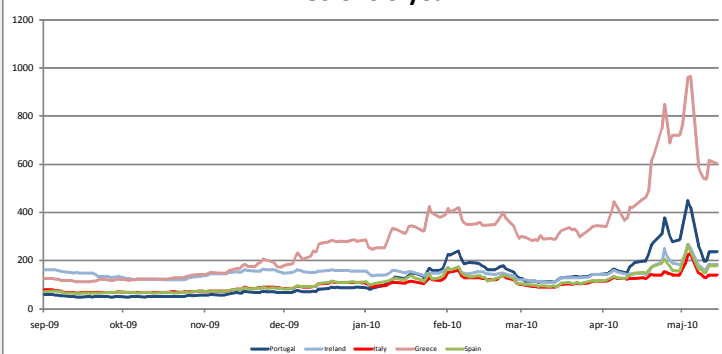
Volatility at different time horizons. Too low, now?

AAA and BAA Corporate Bonds vs. 30yr US Treasuries

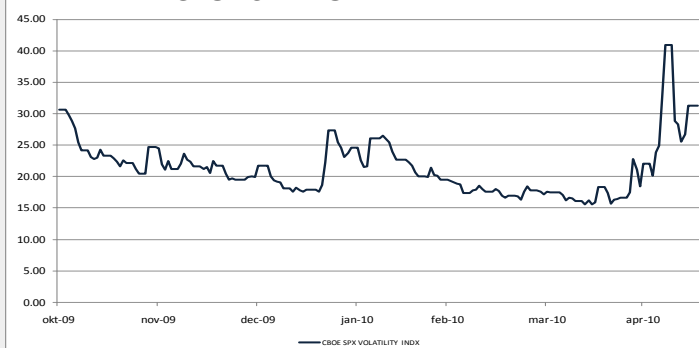


Spreads are easing, but still **showing tight corporate debt markets.**

PIIGS CDS 5 year



CBOE SPX VOLATILITY INDEX



The VIX Index is **now at 31.24** (prev. close at 26.68).

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