

Theme Comment

- Fitch cuts Spain's AAA rating (to AA+). That could continue to weaken European financials today.
- Some of our long-term trend indicators are turning around (bearish) and money markets indicators still signal increasing tension due to the PIIGS sovereign debt crisis and the interbank market. We change our short-term outlook for stocks to "sell on rallies".
- Stories now beginning on how yields on Chinese property bonds are rising. Investors are increasingly nervous on China. Commodities still weak due to this, but Oil and Gold doing well.
- Watch out for Canadian figures today.

Economic Data Releases

| Country | Time (GMT) | Name | Saxo | Consensus | Prior |
|---------|------------|------------------------------|------|-----------|-------|
| EC | 08:00 | M3 Money Supply YoY (APR) | | -0.3% | -0.1% |
| EC | 09:00 | CPI Flash Estimate YoY (MAY) | | 1.7% | 1.5% |
| CA | 12:30 | GDP MoM (MAR) | 0.4% | 0.5% | 0.3% |

| FX | Daily stance | Comment |
|--------|--------------|--|
| EURUSD | 0 | Initial res seen at 1.2350. Abv risks 1.2450 before consolidation. Suppt now 1.2250. |
| USDJPY | 0/+ | Confirmed break abv 91.40 risks testing 91.85-00 area. Suppt now 91.0. |
| EURJPY | 0 | Initial res at 112.80, 113.60 behind. Likely ranging 111.85-112.80. |
| GBPUSD | 0/+ | Break abv 1.45 risks stronger rebound to 1.4550, poss 1.46. Suppt now 1.4415. |
| AUDUSD | 0/+ | Prefer to buy dips to 0.8450 for a stronger bounce to 0.8550. Stop below 0.8390. |
| USDCAD | 0 | Seen ranging 1.0440 – 1.0550. |

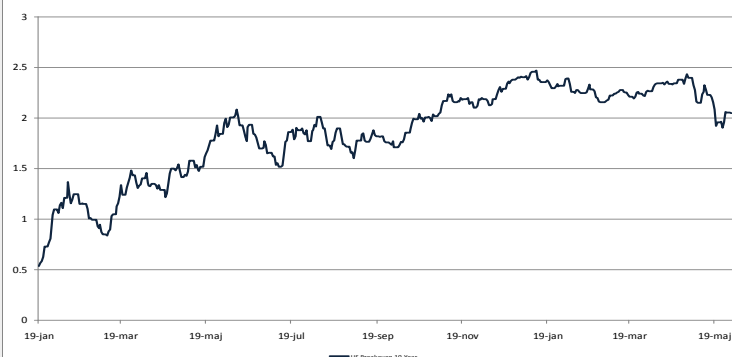
| FX-Options | Comment |
|------------|---|
| EURUSD | Vols traded sideways mostly but the late dip in spot in late NY session provided a bit of support. If spot holds above 1.2250 we should expect vols to trade lower. |
| USDJPY | Curve has not moved lower much except for some gamma selling in 2wk and under. Spot remains bid through 9100 and higher so will expect ATM vols and risk reversals to ease. |
| AUDUSD | Vols coming under some pressure this morning. Gamma sellers will continue to suppress front end with spot steadily higher since the opening. |

| Equities | Daily stance | Comment |
|-----------|--------------|--|
| DAX | 0/- | Sell on rallies towards 5975 and target 5933. Stop above 5992. |
| FTSE | 0/- | Sell around 5200 and target 5178. Stop above 5212. |
| S&P500 | 0 | |
| NASDAQ100 | 0 | |
| DJIA | 0 | |

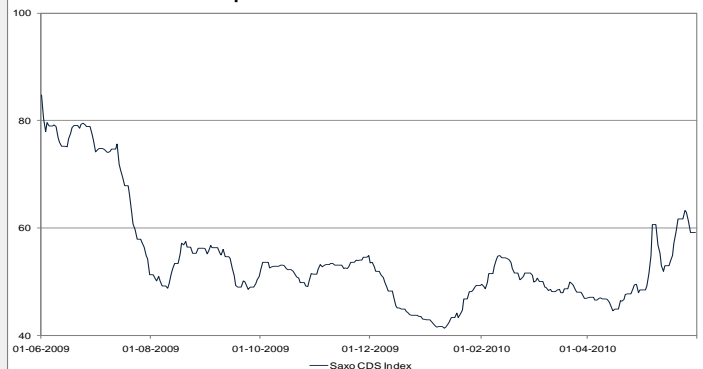
| Commodities | Daily Stance | Comment |
|-------------|--------------|---|
| Gold | 0/+ | Buy on dips towards 1207 and target 1218. Stop below 1202. |
| Silver | 0 | Neutral. |
| Oil (CLN0) | 0/- | Sell on rallies towards 75 and target 73. Stop above 75.85. |

Earnings Releases

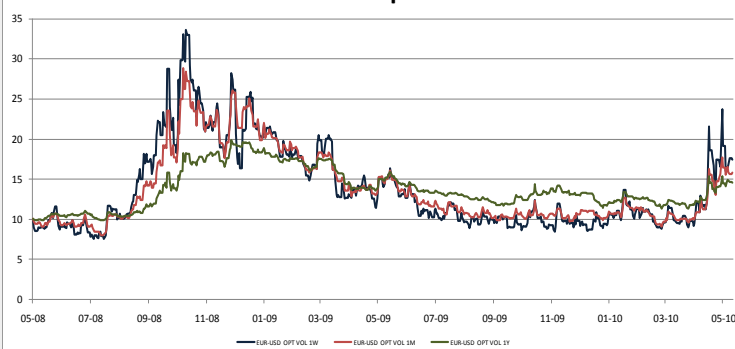
| Country | Time (GMT) | Name | EPS exp. | EPS prior | Comment |
|---------|------------|------|----------|-----------|---------|
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US Breakeven 10 Year


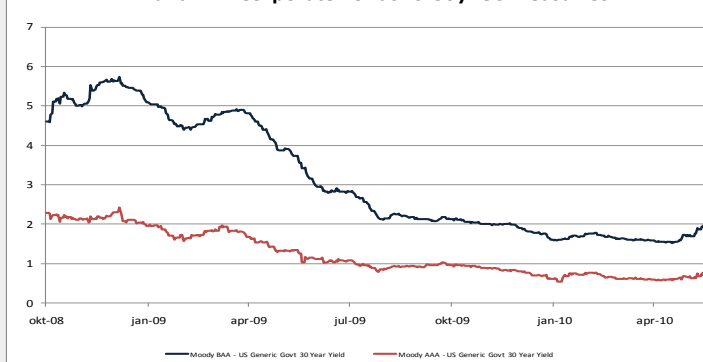
USD breakeven 10 Year – an expression for measuring inflation expectations.

Top 100 Global Stocks CDS Index


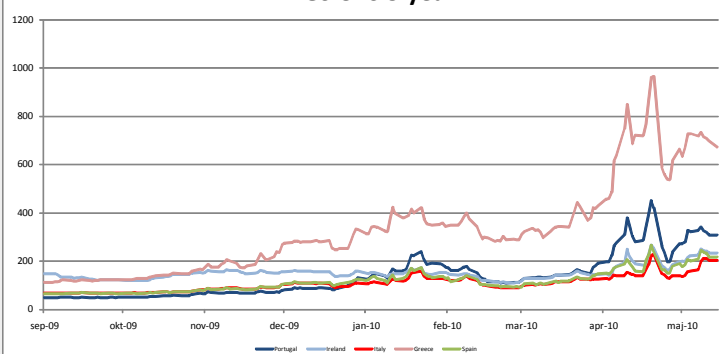
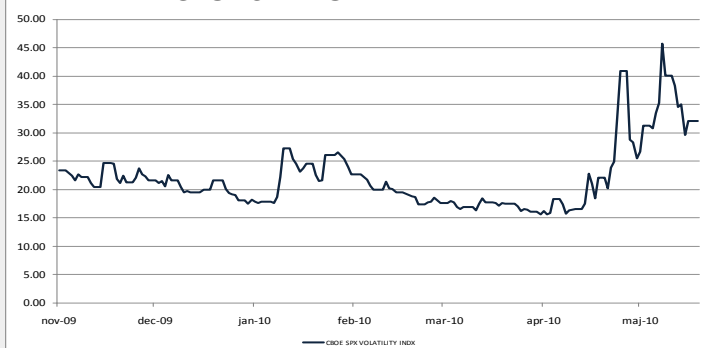
Credit Default Swaps are expressions for the perceived default risk in a company. **Now at 59.**

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 32.07** (prev. close at 29.68).

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