

Theme Comment

- News overnight was mostly bearish. Spain's central bank announced that it will release results from a stress test of banks while BP announced that it won't pay a dividend and will also resort to asset sales to fund the Oil-spill fund demanded by President Obama. Of course, the large decline in US housing starts didn't help matters much despite a solid display from the manufacturing sector with industrial production up 1.2% MoM.
- Spain will test the market today with EUR 3.5bn in 10y and 30y bond auctions, and if recent Spanish auction are any indication then spreads will once again widen relative to the prior auction (in the spring).
- It's another busy day for economic releases led by US CPI, Jobless Claims, and Leading Indicators. The latter is expected is improving despite an 8% drop in S&P500 in May, which is one of the leading indicators.

Economic Data Releases

Country	Time (GMT)	Name	Saxo	Consensus	Prior
UK	08:30	Retail Sales MoM (MAY)	0.0%	0.1%	0.1%
US	12:30	CPI / Core CPI MoM (MAY)	0.0% / 0.1%	-0.2% / 0.1%	-0.1% / 0.0%
US	14:00	Leading Indicators MoM (MAY)		0.4%	-0.1%

FX	Daily stance	Comment
EURUSD	0/+	Buy break abv 1.2350, or dip to 1.22, for tgt 1.2420. Stop below 1.23, 1.2165 resp.
USDJPY	0/-	Resistance edging down to 91.40. 90.85 next suppt. Expect to trade a range
EURJPY	0/-	Break below 111.90 risks 111.50 before any suppt. Ranging 111.50-112.50 with slight -ve bias
GBPUSD	0	See n/term suppt at 1.4680. Below risks fall to 1.4615 else trade a 1.4680-1.4750 range
AUDUSD	0	0.8575 next suppt level. Below sees 0.8510 first or a 0.8575-0.8665 range
USDCAD	0	Seems to be building n/t base at 1.0225. Ranging 1.0225-1.03 again

FX-Options	Comment
EURUSD	Market still well bid for EUR puts. Market still very nervous despite yesterday's relatively narrow ranges in spot, with a vol curve remaining well bid throughout the sessions still session. Definitely see potential for further downtrend in spot.

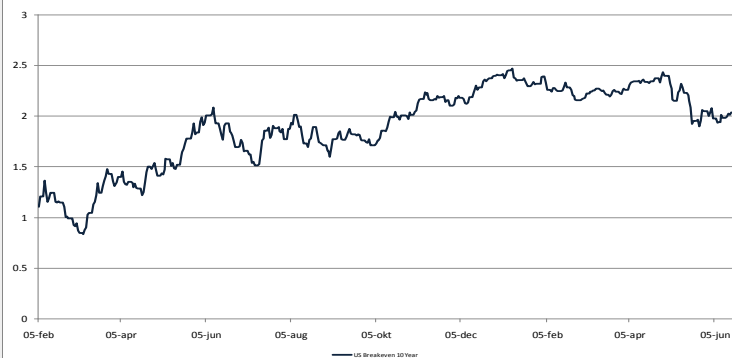
Equities	Daily stance	Comment
DAX	0/-	Sell on rallies towards 6190 targeting 6156. S/L above 6207.
FTSE	0/-	Sell on rallies towards 5240 targeting 5208. S/L above 5257.
S&P500	0/-	Sell on rallies towards 1118 targeting 1112. S/L above 1119.
NASDAQ100	0/-	
DJIA	0/-	

Commodities	Daily Stance	Comment
Gold	0/	Buy on dips towards 1228 and target 1236. Stop below 1226.
Silver	0/+	Buy at the break of 18.68 and target 18.96. Stop below 18.50.
Oil (CLQ0)	0/+	Sell on rallies towards 79.80 and target 78. Stop above 80.50.

Earnings Releases

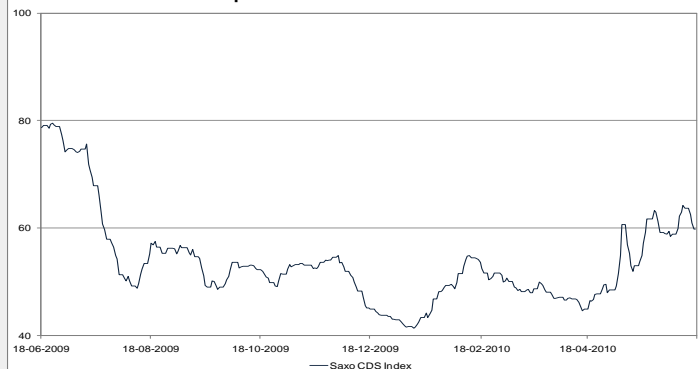
Country	Time (GMT)	Name	EPS exp.	EPS prior	Comment
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US Breakeven 10 Year



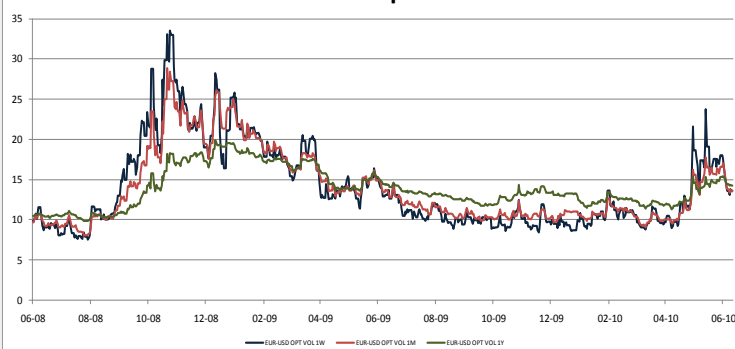
USD breakeven 10 Year – an expression for measuring inflation expectations.

Top 100 Global Stocks CDS Index



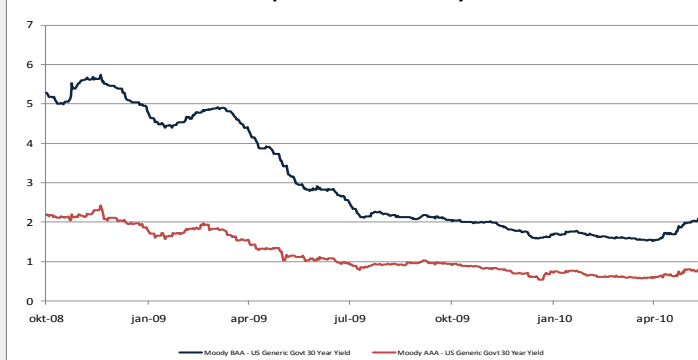
Credit Default Swaps are expressions for the perceived default risk in a company. **Now at 60.**

EURUSD Opt. Vol.



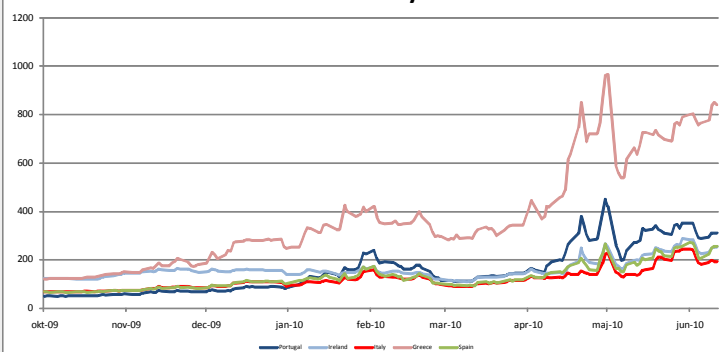
Volatility at different time horizons. Too low, now?

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 25.92** (prev. close at 25.87).

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