

Wednesday Morning Kickoff @ Saxo

Durable goods orders last pointer before US 3Q GDP

Themes

- We had the first attempt of the 1200 level in S&P500 yesterday, but failed. Look for a retest of this level today and especially look for the close of the US session.

What's going on?

European equity markets will most likely open down. The close of the US was pretty much in line with the close of the European session in terms of levels, but Deutsche Bank disappointed the markets this morning, which is driving futures down. Look for an opening roughly 0.25% down. Ford released record earnings in its 107 year old history – presenting an EPS of 48c vs. 38c expected. Furthermore the debt reduction in Ford is going at record pace and this has made Ford predict that it will equal its cash balance with its debt by year end. Another string of earnings will be released today and those who have the largest market mover potential are: Volkswagen and Novo Nordisk in Europe and in the US the names to look for are P&G and ConocoPhillips.

Wednesday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
08:00	Eurozone M3 YoY (SEP)		1.3%	1.1%
12:00	NO Deposit Rates		2.00%	2.00%
12:30	US Durable Goods Orders MoM (SEP)	1.4%	2.0%	-1.3%
12:30	US Durable Goods Orders ex. Transportation MoM (SEP)	0.5%	0.5%	2.0%
14:00	US New Home Sales MoM (SEP)	0.0%	4.2%	0.0%
20:00	NZ RBNZ Official Cash Rate		3.00%	3.00%

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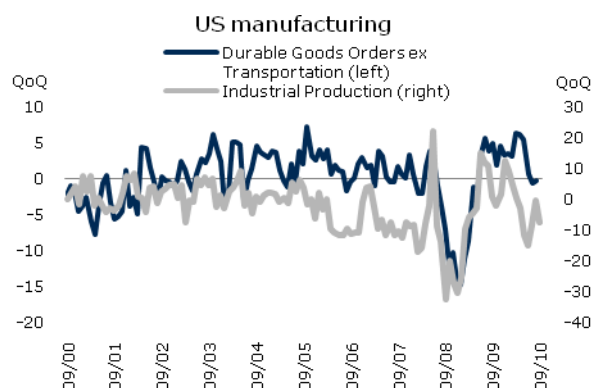
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Markets at a glance

US Durable Goods Orders is an interesting report today both in terms of future production and third quarter GDP released on Friday. Nondefense capital goods shipments is a reliable indicator of businesses investments in durable equipment in the GDP report. We are looking for bounce back from August's 1.3% decline to 1.4% MoM (consensus: 2%). The less volatile 'ex transportation' series is expected to some improvement in September, but the trend is clearly slowing from earlier this year.



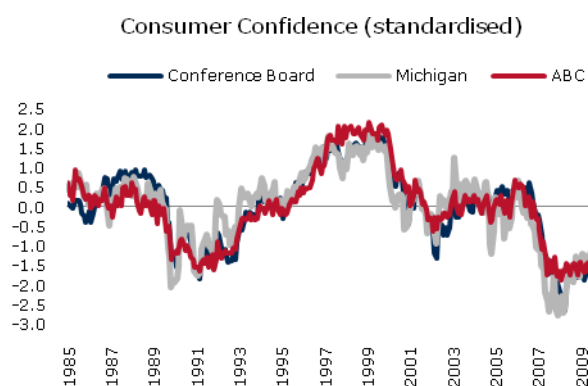
Source: Bloomberg. Our calculations.

The New Home Sales report for September is released today and consensus is looking for a 4.2% gain month-on-month. Housing starts rose by 0.3% in September to 610,000 (annualised) as sales in the housing sector are stabilising after the disruptive homebuyer tax credit.



Source: Bloomberg. Our calculations.

US consumer confidence – as measured by the Conference Board – rose slightly in October to 50.2 from 48.6 earlier. We still need to see a sustained increase over several months, however, because the man on the street clearly still believes the US is in a recession. Since 1967 the average confidence in recession was 68.9 so we still have some way to go for this to be merely an average recession. In expansions, the average is an almost unimaginable 99.6. This was also confirmed by the weekly ABC Consumer Confidence report out late yesterday, which showed a decline to -47 from -46. The ABC series has been hovering in the -40 to -50 range for two years.

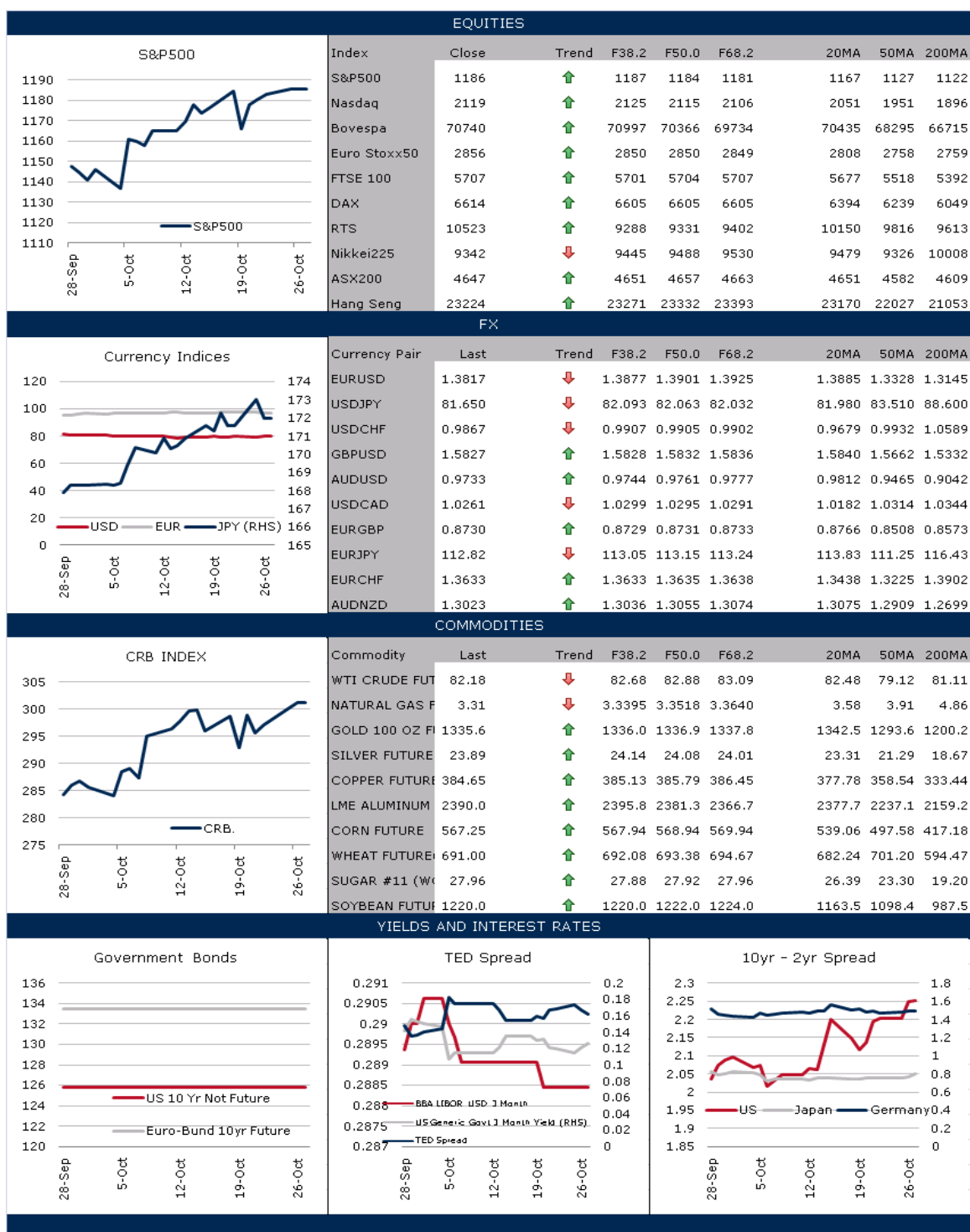


Source: Bloomberg. Our calculations.

Equities: a closer look

Ford posted very strong earnings yesterday – actually record earnings in its 107 year old history. Among the major car producers in the US Ford clearly came out of the crisis better than both GM and Chrysler and announced yesterday that they will equal their debt with cash by year end. This is very good news for Ford shareholders as Ford will now be able to, even more aggressively than before, to invest in new products without hurting the deleveraging process that has been going on since 2008.

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
SW PPI MoM (SEP)		0.0%	0.4%	-0.5%	
SW Interest Rate		1.00%	1.00%	0.75%	
UK GDP QoQ (3Q)	0.5%	0.4%	0.8%	1.2%	
US S&P/CaseShiller 20-City HPI MoM (AUG)	-0.10%	-0.20%	-0.28%	-0.13%	-0.21%
US Consumer Confidence (OCT)		49.9	50.2	48.5	48.6
US House Price Index MoM (AUG)		-0.2%	0.4%	-0.5%	-0.7%
US Richmond Fed Manufacturing Index (OCT)		1	5	-2	



Source: Bloomberg. Our calculations.

Note: the trend is defined as the slope of the 13-day exponential moving average.

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