



November 01, 2010

Monday Morning Kickoff @ Saxo

ISM Manufacturing to kick-start busy week

Themes

- We had the first attempt of the 1200 level in S&P500 days ago, but failed. Look for a retest of this level as we approach the day for the launch of Fed's QE programme this week.

What's going on?

European equity markets will most likely open 0.75% higher this morning as Chinese PMI surprised to the upside overnight (out at 54.7 vs. 53.8 expected). Friday's US GDP report was in terms of how the market judged the report a non-event. The US session was virtually trading within a narrow range all day and closed safely at 1183. The market has clearly moved away from looking at earnings (reports are still strong) and closing in the focus at the Fed meeting Wednesday this week (probable launch of QE) and the US labor market report on Friday.

Monday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
08:30	SZ SVME-PMI (OCT)		59.3	59.7
09:30	UK PMI Manufacturing (OCT)		53.0	53.4
12:30	US Personal Income MoM (SEP)	0.0%	0.2%	0.5%
12:30	US Personal Spending MoM (SEP)	0.5%	0.4%	0.4%
14:00	US ISM Manufacturing (OCT)	53.0	54.0	54.4
14:00	US ISM Prices Paid (OCT)		70.0	70.5
14:00	US Construction Spending MoM (SEP)	-0.3%	-0.5%	0.4%

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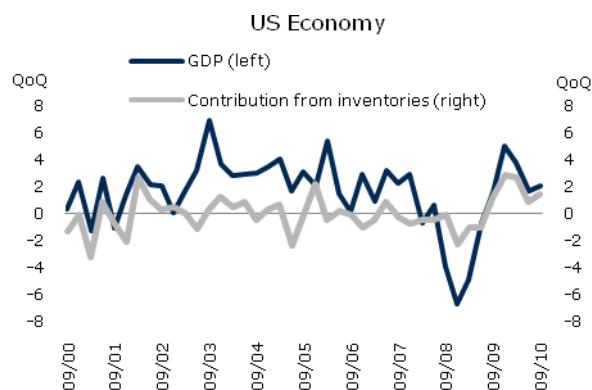
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Markets at a glance

We have a very busy week ahead of us and we start out with US ISM Manufacturing report day. We expect the index to decline to 53 in October (consensus: 54) from 54.4 as the growth in the manufacturing sector slows. This will also bring the national index more in line with the regional reports, which has been signalling weaker ISM Manufacturing for quite a few months now; and they still do despite the mostly positive regional reports released so far for October.

Chinese PMI figures rose to 54.7 and 54.8 in October from 53.8 and 52.9, respectively, which have fuelled risk appetite in the Asian session. It is the fastest growth in manufacturing in six months in China, driven by higher input prices. This suggests that inflation will rise even faster in the coming months and could fuel speculation of more rate hikes by the PBoC.



Source: Bloomberg. Our calculations.

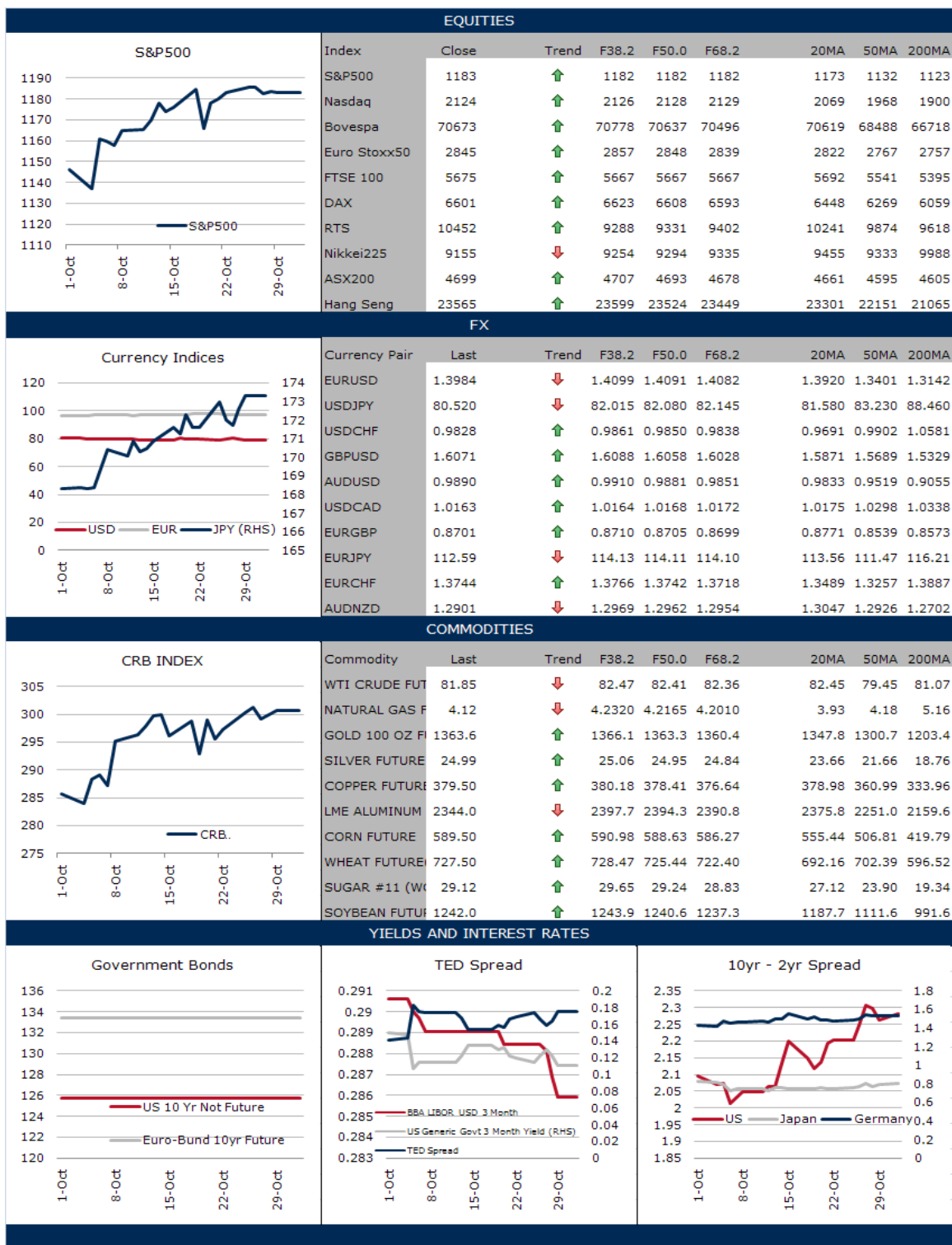
The US economy grew 2% QoQ (annualised) in the third quarter, which was exactly what consensus was looking

for (Saxo: 2.3%). Private consumption grew 2.6%, which is the fastest growth rate recorded since 4Q2006 (4.1%). This contributed 1.8%-points to GDP, while also inventories – as expected – contributed handsomely by 1.4%-points. In fact, without inventories and government spending, GDP would have declined by 0.1%.

Equities: a closer look

There are very few earnings releases of importance today, but rather look tomorrow for major releases that have potential to move the market. But in broader terms markets should have priced most of the earnings results in by now and it has been a surprisingly strong earnings season with massive surprises to the upside and growth in terms of EPS, but remarkably this also applies to the sales side. The surprise in terms of sales is flat, but the average growth of almost 10% in sales year-over-year is good news. The less good thing is that most companies have so far been very reluctant in giving any guidance as to how they expect the sales in 2011 to perform. And this should raise concern.

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
NO Retail Sales MoM (SEP)		0.6%	1.3%	-1.2%	-0.8%
UK Mortgage Approvals (SEP)		46.0K	47.5K	47.4K	47.5K
Eurozone CPI Flash Estimate YoY (OCT)		1.8%	1.9%	1.8%	
Eurozone Unemployment Rate (SEP)		10.1%	10.1%	10.1%	10.0%
SZ KOF Swiss Leading Indicator (OCT)		2.16	2.17	2.21	2.20
CA GDP MoM (AUG)	0.2%	0.3%	0.3%	-0.1%	
CA Industrial Product Price MoM (SEP)	0.1%	0.3%	0.2%	0.4%	
US GDP QoQ Ann. (3Q)	2.3%	2.0%	2.0%	1.7%	
US PCE QoQ Ann. (3Q)	2.3%	2.5%	2.6%	2.2%	
US Chicago PMI (OCT)		58.0	60.6	60.4	
US U. of Michigan Confidence (OCT, final)		68.0	67.7	67.9	



Source: Bloomberg. Our calculations.

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

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