

**Theme Comment**

- The Eurozone stress test will not include a sovereign default. In other words, let's not test for the very matter that has worried the market in most of 2010. The adverse scenario assumes a 3%-point deviation from the European Commission's forecast over a two year period (the EZ is currently down 4.6% from the peak two years ago!).
- Eurozone 1Q GDP yesterday was as expected (0.2% QoQ) with most of it coming from inventories (1.0% - a bigger bounce than we saw in 4Q09 in the US) and exports (0.8%). The weaker EUR should guarantee a solid contribution from net exports in the second quarter as well.
- Ivey PMI was much weaker than expected at 58.9 from 62.7 in May (Saxo: 62.1, consensus: 63.5), and especially employment took a nosedive to 53.6 from 58.1).
- The Bank of England (11:00) and ECB (11:45) will announce rates today. We do not expect any rate changes so watch out for any comments from Trichet about any initiatives to fix the current mess (QE at some point?).
- Australian data overnight was very good with the change in employment surging to 45.9K (Saxo: 8.5K, consensus 15K).

**Economic Data Releases**

Country	Time (GMT)	Name	Saxo	Consensus	Prior
UK	08:30	Industrial Production MoM (MAY)	0.3%	0.4%	-0.4%
GE	10:00	Industrial Production MoM (MAY)		0.9%	0.9%
US	12:30	Initial / Continuing Jobless Claims		460K / 4600K	472K / 4616K

FX	Daily stance	Comment
EURUSD	0/+	Res at 1.2670-80 holding for now. Buy dips down to 1.2630 for push to target 1.2750. Stop below 1.26.
USDJPY	0	Break abv 88.10 targets higher but seen limited to 88.50-60 before reversal.
EURJPY	0	May struggle abv 112.0 but suppt rising to 110.80 for a ranging session.
GBPUSD	0/+	Expect to test 1.5250. Buy dips below 1.52, stop below 1.5150. Next upside target 1.5330.
AUDUSD	0/+	Break through 0.8710 now provides base. Immed res at 0.8755 but abv target 0.8820.
USDCAD	0	Range drifting lower. Looking for a 1.0450-1.0520 range.

FX-Options	Comment
EURUSD	Good interest to buy Thursday and Friday EUR calls in European session for 1.2750-1.28 area strikes and front end RRs given. Curve lower by NY session.
USDJPY	After vols got sold yesterday, gamma is trading at decent values especially with spot still threatening to break under 8700 and the curve looking steep.
AUDUSD	Vols started off softer but has ended up better bid as spot trades back under 8500. Buyers of AUD puts still dominate with strikes around 8250 for 2-3m area.

Equities	Daily stance	Comment
DAX	0/+	Buy on dips towards 6048 and target 6100. Stop below 6024.
FTSE	0/+	Buy on dips towards 5055 and target 5090. Stop below 5037.
S&P500	0/+	Buy on dips towards 1053 and target 1062. Stop below 1049.
NASDAQ100	0/+	
DJIA	0/+	

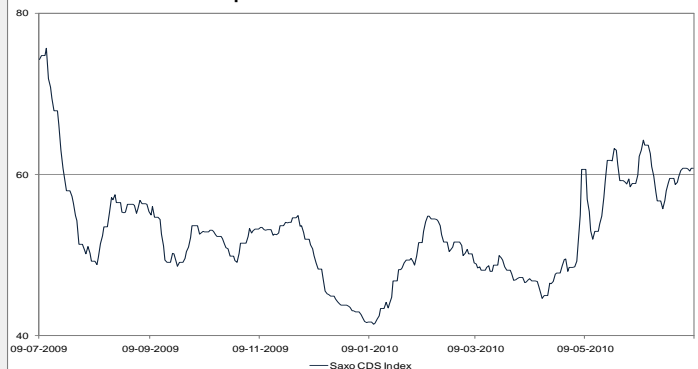
Commodities	Daily Stance	Comment
Gold	0	1,210 seen as temp top. Likely ranging around 1,200. 1,194 – 1,210 suggested range.
Silver	0	Expect rebound to stall near 18.20. Likely ranging 17.90-18.20.
Oil (CLQ0)	0	Res at 75.0 seen holding . Break back below 74.50 may trigger rush to 74.0 again, else 74.50-75.0 range.

## US Breakeven 10 Year



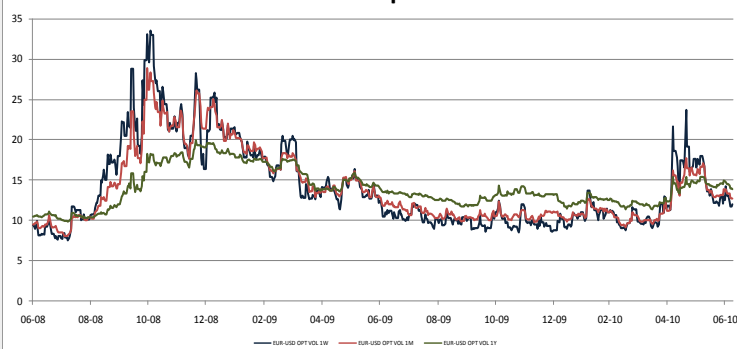
USD breakeven 10 Year – an expression for measuring inflation expectations.

## Top 100 Global Stocks CDS Index



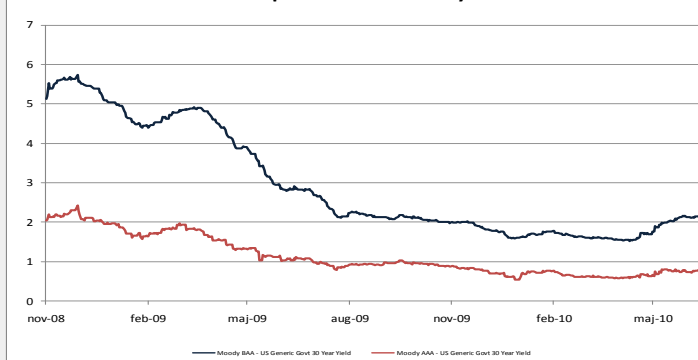
Credit Default Swaps are expressions for the perceived default risk in a company. **Now at 61.**

## EURUSD Opt. Vol.



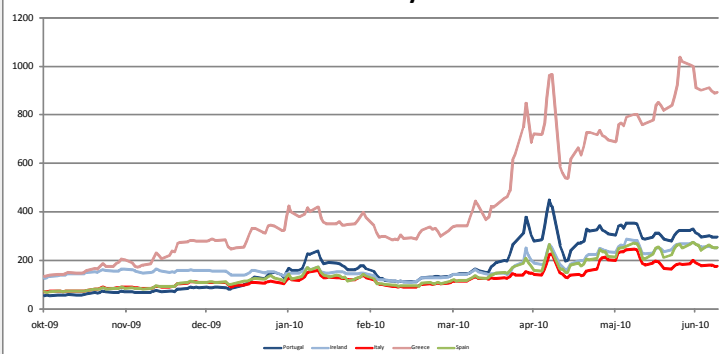
Volatility at different time horizons. Too low, now?

## AAA and BAA Corporate Bonds vs. 30yr US Treasuries

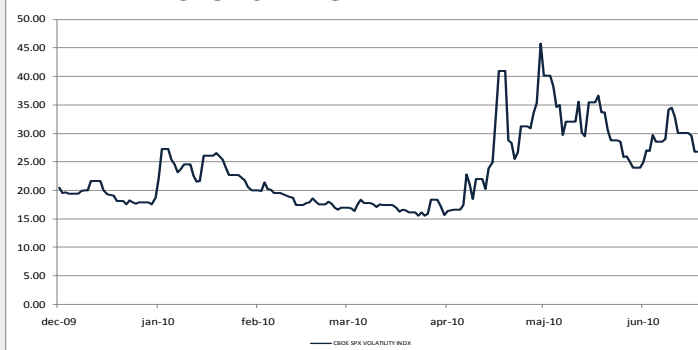


Spreads are easing, but still **showing tight corporate debt markets.**

## PIIGS CDS 5 year



## CBOE SPX VOLATILITY INDEX



The VIX Index is **now at 26.84** (prev. close at 29.65).

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