

**Theme Comment**

- China's manufacturing sector is now contracting... at least according to one of the two PMIs released over the weekend. The official PMI released by the National Bureau of Statistics showed a decline to 51.4 from 52.1 while the HSBC PMI fell to 49.4 from 50.4. The latter places a larger weight on small- and medium-sized companies.
- US GDP was quite weak. Not because of the 2.4% QoQ growth rate on 2Q or the much higher 1Q growth of 3.7% (vs. 2.7% in the "final" 1Q report a month ago). But rather because of the weak consumer spending in the first half of the year, which is more in line with other indicators including consumer credit and confidence regarding conditions for consumers. With the expansion in manufacturing slowing down (at best) and a stone dead housing market, consumers are expected to keep this recovery going.
- ISM Manufacturing is the one to watch today and both consensus and we expect the report to show that manufacturing grew at a slower pace. The two very good PMIs out last Friday (Chicago: 62.3, Milwaukee: 66) evens the score between the regional PMIs, which is why we expect a better number than consensus is looking for.

**Economic Data Releases**

Country	Time (GMT)	Name	Saxo	Consensus	Prior
UK	08:30	PMI Manufacturing (JUL)		57.0	57.5
US	14:00	ISM Manufacturing (JUL)	55.1	54.0	56.2
US	14:00	Construction Spending MoM (JUN)	-0.2%	-0.5%	-0.2%

FX	Daily stance	Comment
EURUSD	0/-	Think we've seen n/term top at 1.3085 tdy. Sell rallies for 1.3025, stop abv 1.3110.
USDJPY	0/-	While below 86.75 expect to re-test Fri lows below 86.0. Else we push to 87.10 before lower.
EURJPY	0/-	Immed res still at 113.50. Expect to hold 112.50-113.50 range still.
GBPUSD	0/-	See n/term res at 1.5780 with a dip down to 1.5650, poss 1.5610. Stop abv 1.5830 .
AUDUSD	0/-	While holding below 0.9135 look for slow slippage to 0.9050-60 suppt. Abv risks 0.9210.
USDCAD	0	1.0255 next support level. Expect to hold a 1.0250-1.0325 range.

FX-Options	Comment
EURUSD	Vols mostly bid throughout Friday with a 2m 1.28 strike being bought for 400mio. Gamma eased into the NY session and there are some expiries for 1.31-1.32 area strikes this week
USDJPY	Vols are slightly better bid to start the week. Some concentration of strikes around 86 area for the week might keep spot in range and a break to the downside will push vols up.
AUDUSD	Vols are likely to trade soft as spot continues to stay firmly above 9050. Upside strikes for 9200 area seeing sellers but otherwise thin markets with the holiday in Sydney.

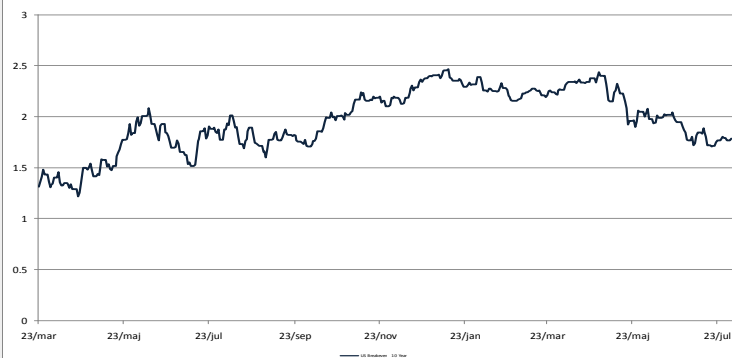
Equities	Daily stance	Comment
DAX	0/+	Buy on dips towards 6185 targeting 6224. S/L below 6172.
FTSE	0/+	Buy on dips towards 5280 targeting 5306. S/L below 5270.
S&P500	0/+	Buy on dips towards 1100 targeting 1110. S/L below 1098.
NASDAQ100	0/+	
DJIA	0/+	

Commodities	Daily Stance	Comment
Gold	0/+	Buy on dips towards 1180 targeting 1187. S/L below 1179.
Silver	0/+	Buy on dips towards 18.10 targeting 18.22. S/L below 18.05
Oil (CLU0)	0/+	Buy on dips towards 78.75 targeting 79.36. S/L below 78.57.

**Earnings Releases**

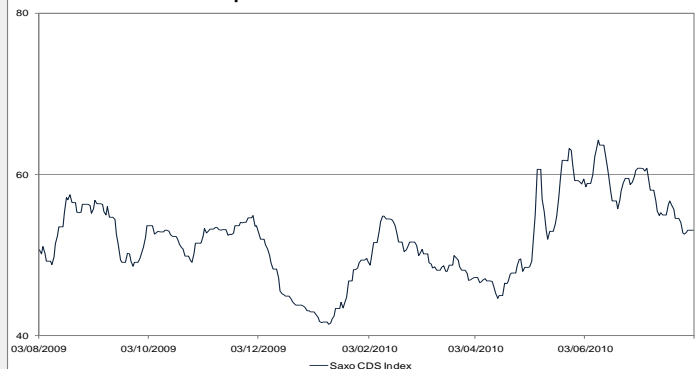
Country	Time (GMT)	Name	EPS exp.	EPS prior	Comment
US	10:00	Loews	0.745	0.970	

US Breakeven 10 Year



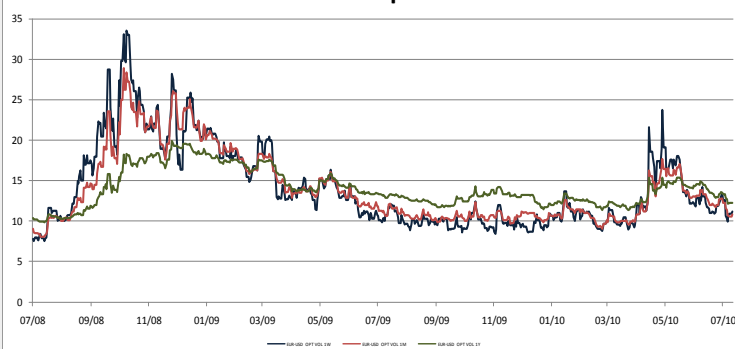
USD breakeven 10 Year – an expression for measuring inflation expectations.

Top 100 Global Stocks CDS Index



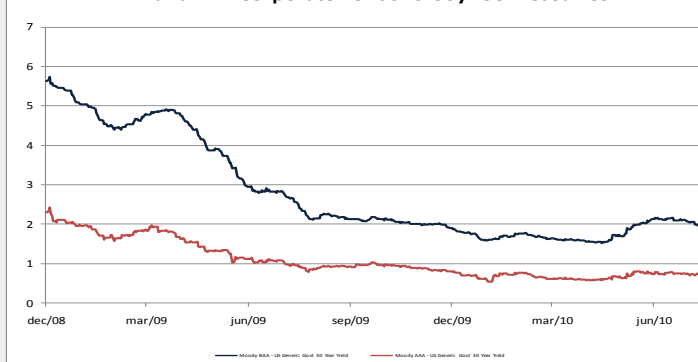
Credit Default Swaps are expressions for the perceived default risk in a company. **Now at 53.**

EURUSD Opt. Vol.



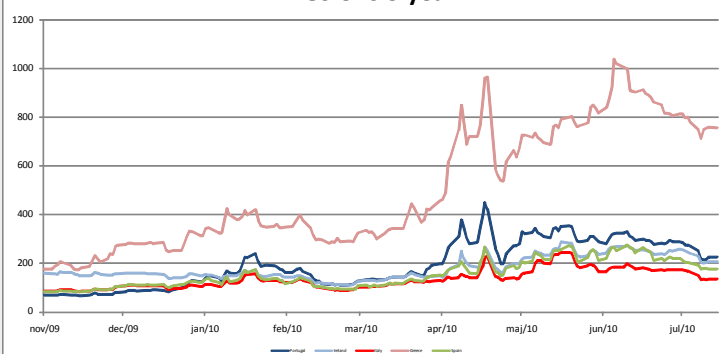
Volatility at different time horizons. Too low, now?

AAA and BAA Corporate Bonds vs. 30yr US Treasuries

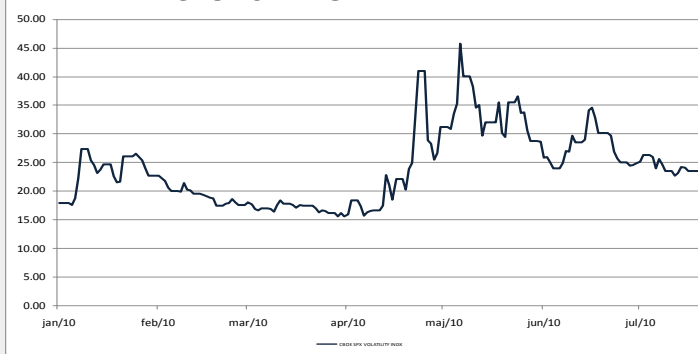


Spreads are easing, but still **showing tight corporate debt markets.**

PIIGS CDS 5 year



CBOE SPX VOLATILITY INDEX



The VIX Index is **now at 23.50** (prev. close at 24.13).

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