

Wednesday Morning Kickoff @ Saxo

Private sector jobs losses in August?

Themes

- Risk only needed a better than expected US consumer confidence number to rally; a hint that every good economic data point will provide a relief rally at the moment. Nevertheless, we maintain our risk-off stance in general as we see further deterioration in the US (and world) economy.
- ISM manufacturing is the intraday trigger today and we are actually expecting a better print (53.6) than consensus (52.8) though we maintain our stance that ISM manufacturing will go below 50 later this year. A better than expected ISM number is likely to drive the relief rally further.

What's going on?

The manufacturing sector expanded by a slower rate in August than the previous nine months, we expect today's ISM manufacturing report to show. The overall slowdown in the economy has been obvious over the summer and we expect it to continue heading into fall and winter. Practically all regional PMIs declined in August, which supports the notion of a slowdown in the manufacturing sector in August.

ISM manufacturing is not the only event risk today, however, as we are also treated to the nonfarm payrolls estimate by ADP. Consensus is looking for an increase in payrolls of 15,000 despite the very poor jobless claims reports and overall deteriorating economic data in August. We expect an increase of 5,000 and also forecast private nonfarm payrolls as estimated by BLS to show an increase of 5,000 on Friday. Overall this means that we currently look for an overall decline of 110,000 in nonfarm payrolls in August. The trend is clear, however, and we don't expect employment to pick up materially in the coming months.

Wednesday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
07:00	NO PMI (AUG)		54.0	54.9
08:00	EC PMI Manufacturing (AUG, final)		55.0	55.0
12:15	US ADP Employment Change (AUG)	5K	15K	42K
14:00	US ISM Manufacturing (AUG)	53.6	52.8	55.5
14:00	US ISM Prices Paid (AUG)		55.3	57.5
14:00	US Construction Spending MoM (JUL)	-1.2%	-0.5%	0.1%
15:00	General Motors reports August sales			
17:00	Ford Motor reports August sales			

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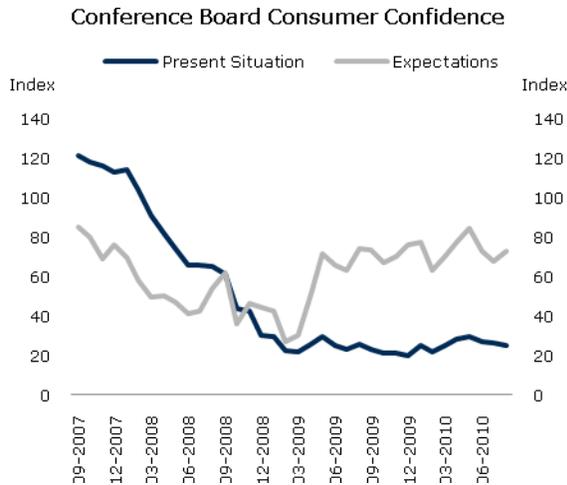
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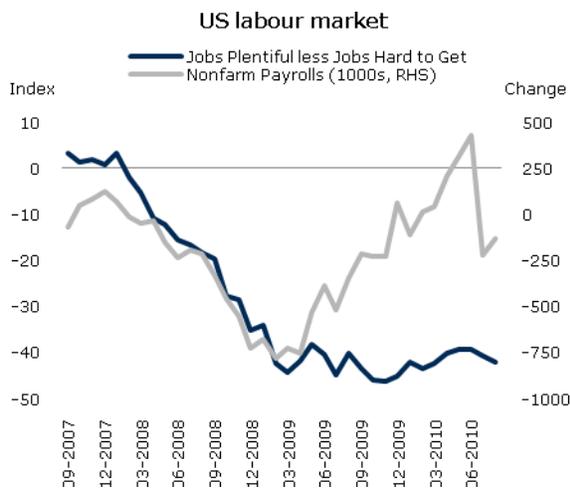
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Market Musings

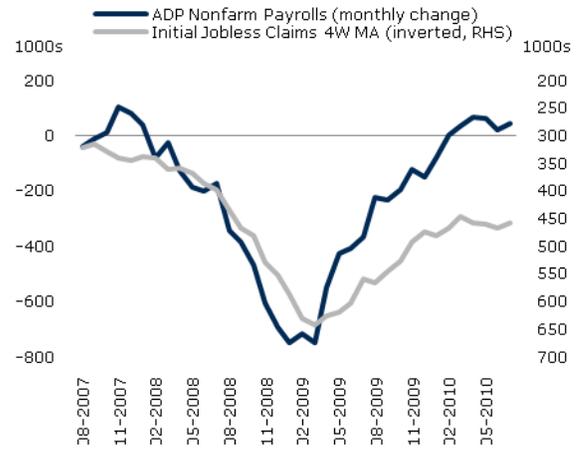
The Conference Board yesterday reported that consumer confidence rose to 53.5 in August from 51 in July, which was enough to spark a rally in risk despite a poor Chicago PMI. If we dig a little deeper the report was not as good as the risk rally seemed to suggest as confidence was solely driven by the expectations component, which rose to 72.5 from 67.5.



The present situation component *declined* to 24.9 from 26.4 and the labour differential also fell again, this time to -41.9 from -40.7. The latter measures the difference between consumers finding jobs plentiful and hard to get.



US labour market



Minutes from the August 10 FOMC meeting were not too exciting, but the FOMC did lower several forecasts, including GDP, which was revised down to the 3-3.5% range from 3.2-3.7% for 2010. Also the unemployment rate and various inflation measures saw negative revisions.

The Minutes put a temporary damper on risk, but it quickly recovered on the back of better AU and CH numbers. AU GDP rose 1.2% in 2Q (0.9% exp. and 0.7% prior) while Chinese PMIs rose to 51.7 and 51.9 from 51.2 and 49.4, respectively. Especially the numbers from Australia have been better in recent days, which have helped to AUD stage a comeback from the August 25 low.

Equities: A Closer Look

Benchmark indices briefly dropped after the release of FOMC minutes where investors were speculating (hoping) for another round of quantitative easing. In our view QE2 will eventually come around, but not just yet due to the upcoming midterm election. Equity markets will go higher if QE2 is announced since asset prices are generally moving higher after such an operation, but companies are not going to have their long-term profitability or sales changed by this.

The Asian markets rallied overnight on the back of better than expected PMI numbers from China and better than expected GDP numbers from Australia. Please be aware that the trend has not changed – rather this is a bear market rally and they are usually quite violent. With the expectation of a surprise to the

upside in today's ISM numbers this relief rally will most likely gain even further momentum.

EQUITIES

Index	Close	Trend	Forecast			Fibonacci			Moving Averages			RSI	
			High	Low	38.2%	50.0%	61.8%	20MA	50MA	200MA	9	14	
S&P500	1049	↓	1059	1045	1065	1064	1064	1064	1084	1082	1116	35	38
NASDAQ 100	1767	↓	1787	1761	1797	1798	1798	1798	1833	1832	1862	34	37
BOVESPA	65145	↓	65654	64674	66028	65908	65788	65788	66409	65151	66449	45	47
EUROSTOXX50	2623	↓	2646	2600	2664	2658	2652	2701	2684	2785		39	41
FTSE 100	5225	↓	5273	5177	5310	5297	5284	5274	5197	5341		49	49
DAX	5925	↓	5972	5879	6007	5995	5983	6105	6090	5958		35	38
RTS	9335	↓	###	###	###	###	###	###	9481	9380	9485	44	46
NIKKEI 225	8927	↓	8997	8862	9049	9033	9016	9232	9417	10109		35	37
S&P/ASX200	4489	↑	4540	4451	4506	4476	4447	4457	4426	4632		46	47
HANG SENG	20617	↓	20691	20575	20736	20728	20721	21076	20759	20981		31	39

FX

Currency Pair	Close	Trend	Forecast			Fibonacci			Moving Averages			RSI	
			High	Low	38.2%	50.0%	61.8%	20MA	50MA	200MA	9	14	
EURUSD	1.2713	↓	1.2741	1.2688	1.2761	1.2755	1.2749	1.2845	1.2791	1.3355		43	45
USDJPY	84.400	↓	84.77	84.22	84.98	84.95	84.92	85.20	86.68	90.04		40	40
USDCHF	1.0147	↓	1.0165	1.0124	1.0180	1.0194	1.0207	1.0374	1.0498	1.0675		29	33
GBPUSD	1.5399	↓	1.5432	1.5368	1.5456	1.5449	1.5441	1.5601	1.5430	1.5435		38	44
AUDUSD	0.9000	↑	0.9054	0.8951	0.9014	0.8977	0.8940	0.8982	0.8865	0.8938		56	54
USDCAD	1.0622	↑	1.0640	1.0604	1.0626	1.0630	1.0635	1.0448	1.0429	1.0390		63	61
EURGBP	0.8256	↑	0.8262	0.8246	0.8256	0.8257	0.8258	0.8233	0.8290	0.8649		55	50
EURJPY	107.30	↓	107.78	106.95	108.09	108.01	107.93	109.44	110.85	120.27		39	39
EURCHF	1.2899	↓	1.2937	1.2883	1.2958	1.2956	1.2954	1.3326	1.3425	1.4235		27	31
AUDNZD	1.2801	↑	1.2859	1.2768	1.2824	1.2796	1.2769	1.2627	1.2433	1.2618		69	66

COMMODITY FUTURES

Commodity	Close	Trend	Forecast			Fibonacci			Moving Averages			RSI	
			High	Low	38.2%	50.0%	61.8%	20MA	50MA	200MA	9	14	
WTI CRUDE (OCT 10)	72.38	↓	72.81	72.03	73.10	73.02	72.93	75.88	77.05	80.79		36	38
NAT GAS (OCT10)	3.80	↓	3.82	3.77	3.84	3.84	3.83	4.15	4.47	5.00		25	29
GOLD (DEC10)	1251.5	↑	1253.8	1249.5	1252.1	1250.6	1249.0	1225.4	1213.4	1168.2		78	70
SILVER (DEC10)	19.42	↑	19.47	19.37	19.43	19.39	19.36	18.56	18.33	17.90		73	67
COPPER (DEC10)	342.45	↑	348.00	339.90	344.91	342.68	340.44	333.61	320.12	325.76		62	61
CORN (DEC10)	440.8	↑	444.5	439.3	442.5	441.1	439.8	427.0	402.7	401.9		66	64
WHEAT (DEC10)	693.00	↑	698.63	689.38	695.09	692.19	689.28	716.0	642.0	577.5		48	51
SOYBEAN (NOV10)	1008.5	↓	1011.3	1005.0	1013.6	1015.8	1017.9	1020.7	982.3	960.7		47	51
SUGAR (OCT10)	19.75	↑	20.00	19.35	19.75	19.80	19.85	19.24	18.09	18.62		56	58
COFFEE (DEC10)	178.5	↓	180.8	174.8	183.1	185.0	186.9	175.6	169.7	149.0		54	55

*) Note: Trend is defined as the slope of the 13 day exponential moving average

4

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