

Thursday Morning Kickoff @ Saxo

Is a Portuguese bond auction all it takes?

Themes

- European banks and their balance sheet challenges given their holdings of European sovereign debt will stay in focus in the market. There is no news here so far, but if one or several of the upcoming auctions in European sovereign debt should fail, then this theme will be accelerated. The market is quite nervous at the moment as emphasised by the comeback in risk following the successful Portuguese bond auction yesterday.

What's going on?

We expect European markets to around flat to slightly lower this morning as the concern of the European sovereign debt is wearing off. As we said yesterday this theme in markets will quickly run out of steam if no news on this would enter into the market. But later in this year when we start to get worse numbers out from the Eurozone economies this theme will resurface and by then in our view with larger relevance. Then the lack of stress in the stress test will come into play as more European banks will face difficulties with funding their daily operations. But until then everybody is sound and safe.

Thursday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
07:30	SW CPI MoM (AUG)		0.1%	-0.3%
08:30	UK Trade Balance (JUL, million)		-£3300	-£3260
11:00	UK Bank of England Asset Purchase Target (billion)		200	200
11:00	UK Bank of England Rate		0.50%	0.50%
12:15	CA Housing Starts (AUG, thousand)		185.0	189.1
12:30	US Trade Balance (JUL, billion)		-\$47.0	-\$47.7
12:30	US Initial Jobless Claims (SEP 4, thousand)		470	472
12:30	US Continuing Jobless Claims (AUG 28, thousand)		4450	4456
23:50	JP GDP QoQ annualized (2Q, final)		1.5%	0.4%
23:50	JP Domestic CGPI MoM (AUG)		-0.1%	-0.1%

Saxo Bank Strategy & Research

David Karsbøl, *Chief Economist*

John J. Hardy, *Senior FX Consultant*

Robin Bagger-Sjöbäck, *Research Analyst*

Christian T. Blaabjerg, *Chief Equity Strategist*

Mads Koefoed, *Macro Strategist*

Market Musings

Bank of England will announce unchanged rates today as the UK economy remains weak – and will become even weaker when austerity measures kick in. Similarly the bank's asset purchase target is expected to remain at £200bn. The manufacturing sector in the UK is still growing, but the recent Manufacturing PMI suggests weaker growth ahead as the headline number fell to 54.3 from 56.9.

US trade balance will be interesting from a GDP perspective. The last reported number for June hurt second quarter GDP quite a bit as imports grew 3% MoM while exports were down 1.3%. However, this could be supportive of 3Q growth if the deficit shrinks back to something similar to the April and May reports.

The Federal Reserve released its **Beige Book** yesterday, which while hardly surprising was nevertheless not happy news for the market: *"Reports from the twelve Federal Reserve Districts suggested continued growth..., but with widespread signs of a deceleration compared with preceding periods."* Wage pressures were also said to be limited.

Australian data was better than expected as **30,900 found employment** in August, which together with a declining participation rate saw the unemployment rate edge down to 5.1% from 5.2%. Clearly the Australian economy hasn't been hurt too much yet by the (minor) reduction in growth in China, and if these sort of reports keep coming then another RBA rate hike could be in the cards at the bank's next meeting.

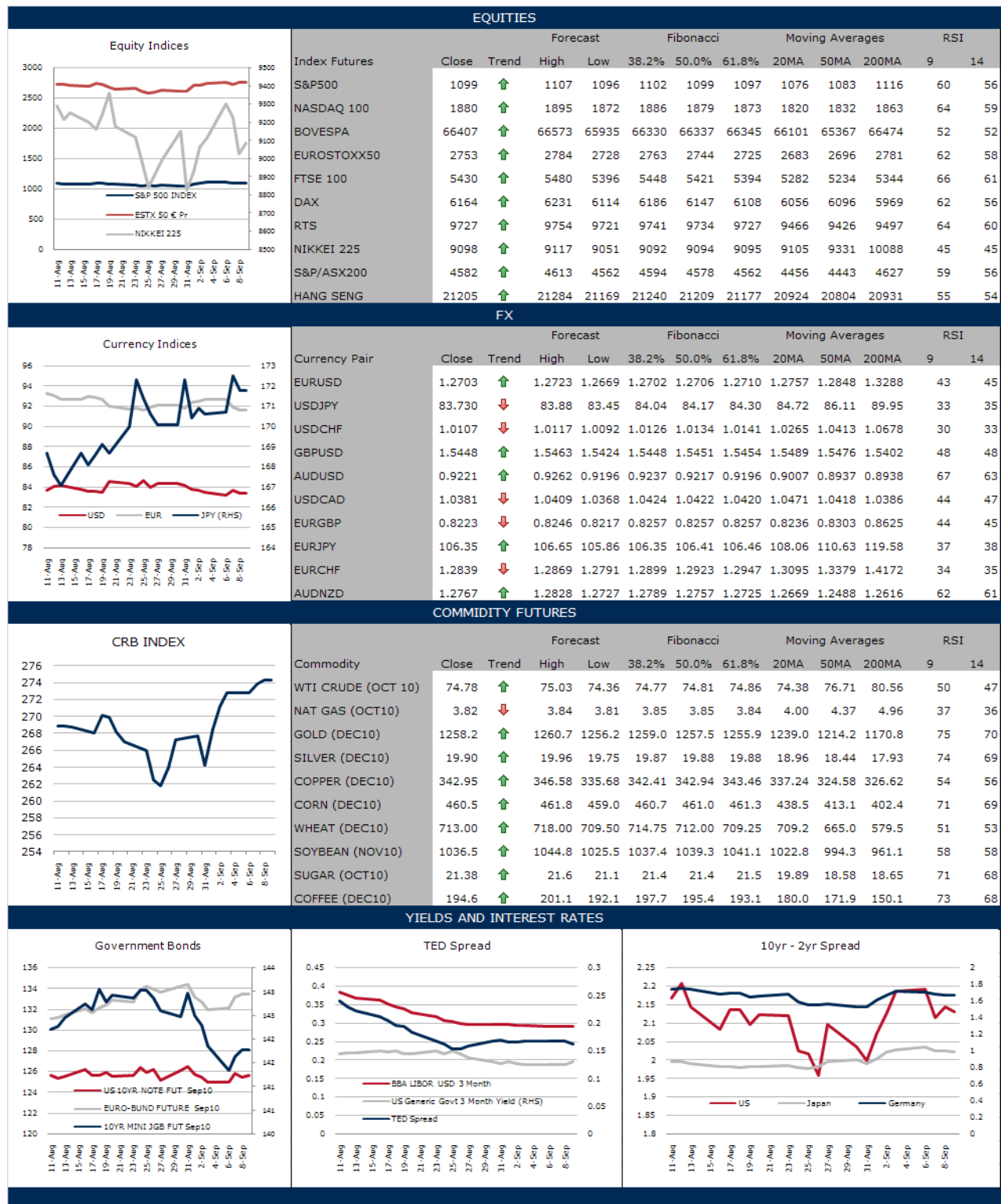
Equities: A Closer Look

The trend coming from Asia with risk appetite back on the plate should spill-over into the European session leading amongst other equities higher. We could see an opening in European equities slightly negative on the back of technicalities, but today's intraday trend should be positive.

The **trigger in the Asian session** was better than expected job numbers in Australia and the fact that other European countries like Norway is starting to buy Greek government debt as they see no risk of default.

The unknowns of today are the stance of Bank of England (BoE) and US trade balance. As stated, we do not expect the BoE to do much and in this regard this is clearly a non-event. US trade balance could surprise to the upside and in the case that this comes true it will spur another uptick in equities. But for now trading around the 1100-level in S&P500 intraday is our base scenario as the amount of news that could stir this picture is limited.

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
UK Halifax House Prices MoM (AUG)		-0.5%	0.2%	0.6%	0.7%
UK Industrial Production MoM (JUL)		0.4%	0.3%	-0.5%	
UK Manufacturing Production MoM (JUL)		0.3%	0.3%	0.3%	
GE Industrial Production MoM (JUL)		1.0%	0.1%	-0.6%	
CA Building Permits MoM (JUL)		-4.9%	-3.3%	6.5%	6.9%
CA Bank of Canada Rate		1.00%	1.00%	0.75%	
CA Ivey PMI (AUG)		55.5	65.9	54.0	
US Consumer Credit (JUL)		-\$4.7B	-\$3.6B	-\$1.3B	-\$1.0B
AU Employment Change (AUG, thousand)		25.0	30.9	23.5	25.0
AU Unemployment Rate (AUG)		5.2%	5.1%	5.3%	



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

For more trading commentary on [forex, equities, and commodities](#) go to www.tradingfloor.com or www.saxobank.com

General

These pages contain information about the services and products of Saxo Bank A/S (hereinafter referred to as "Saxo Bank"). The material is provided for informational purposes only without regard to any particular user's investment objectives, financial situation, or means. Hence, no information contained herein is to be construed as a analysis; or an offer to buy or sell; or the solicitation of an offer to buy or sell any security, financial product, or instrument; or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Saxo Bank does not guarantee the accuracy or completeness of any information or analysis supplied. Saxo Bank shall not be liable to any customer or third person for the accuracy of the information or any market quotations supplied through this service to a customer, nor for any delays, inaccuracies, errors, interruptions or omissions in the furnishing thereof, for any direct or consequential damages arising from or occasioned by said delays, inaccuracies, errors, interruptions or omissions, or for any discontinuance of the service. Saxo Bank accepts no responsibility or liability for the contents of any other site, whether linked to this site or not, or any consequences from your acting upon the contents of another site. Opening this website shall not render the user a customer of Saxo Bank nor shall Saxo Bank owe such users any duties or responsibilities as a result thereof.

Analysis Disclosure & Disclaimer

Risk warning

Saxo Bank A/S shall not be responsible for any loss arising from any investment based on any analysis, forecast or other information herein contained. The contents of this publication should not be construed as an express or implied promise, guarantee or implication by Saxo Bank that clients will profit from the strategies herein or that losses in connection therewith can or will be limited. Trades in accordance with the analysis in an analysis, especially leveraged investments such as foreign exchange trading and investment in derivatives, can be very speculative and may result in losses as well as profits, in particular if the conditions mentioned in the analysis do not occur as anticipated.