

Tuesday Morning Kickoff @ Saxo

FOMC Minutes an appetizer ahead of Intel's after-market report

Themes

- We clearly broke the 1150-threshold and closed well above the 1150-level yesterday. Seems from the latest price action that investors just want risk (equities). Disappointment in the QE-launch or in the upcoming earnings season could lead to a sharp market correction.

What's going on?

European equity markets will most likely open around 0.5% lower today as investors position themselves for earnings from Intel after market close. The earnings from Intel are very important for sentiment in markets and will fundamentally most likely provide a solid insight into how expectations will be in terms of sales growth in 2011. If a better than expected result should come out look for a test of the 1170-level in S&P500.

Tuesday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
07:30	SW CPI MoM (SEP)		0.8%	0.0%
08:30	UK DCLG House Prices YoY (AUG)		8.1%	8.4%
08:30	UK CPI YoY (SEP)	3.0%	3.1%	3.1%
08:30	UK Core CPI YoY (SEP)	2.7%	2.6%	2.8%
08:30	UK RPI YoY (SEP)	4.3%	4.4%	4.7%
08:30	UK Trade Balance (AUG, million GBP)		-£4388	-£4916
11:30	NFIB Small Business Optimism (SEP)		89.6	88.8
15:45	Fed's Hoenig speaks at NABE in Denver			
18:00	Minutes of the 9/21 FOMC meeting			

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Markets at a glance

The earnings season really takes off today with Intel and CSX, though the latter will not be as important for sentiment as Intel. However, CSX as a major international freight company is nevertheless an interesting read on the economy. The economic calendar is sparse today with UK consumer prices and trade balance figures taking the forefront before the FOMC meeting in the US session.

The UK consumer is still pressured by high prices for everyday necessities, at least compared to other developed economies like the US and the Eurozone. We expect inflation to continue to show solid year-on-year price increases for a while before a slowing economy and austerity measures will dampen inflation later this year and into 2011.

The trade balance deteriorated significantly in July in the UK to -£4.9bn. from an average of roughly £4bn in the second quarter. If the trade balance deteriorates further net exports will likely be a sizable negative contribution to the economy in the third quarter.

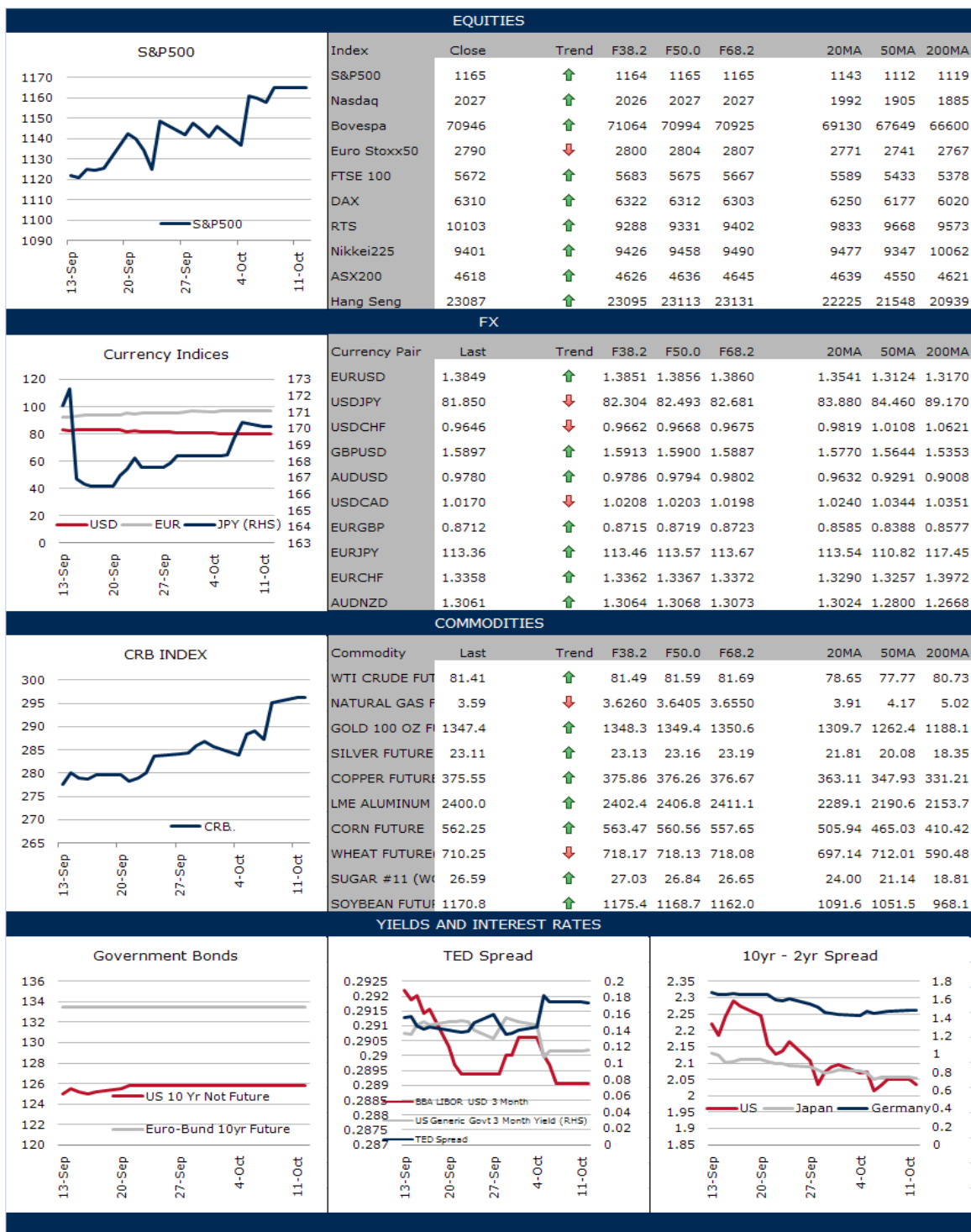
The FOMC meeting is likely to attract attention in the US session as investors will be looking for any further signs

of quantitative easing (2) and especially whether it will already arrive in three weeks time when the FOMC meets again (November 3). We don't expect major news to be revealed in these 'Minutes'. Plenty of Fed speakers have already cleared the path for QE2 even if a few members attempted to dampen expectations a bit late last week.

Equities: a closer look

The earnings season will be kicked off by Intel today and look out for this report despite its release after the market close. Currently it is all about earnings and will be the next 14 days or so. We do expect a better than average earnings season and we estimate that there will be surprises to the upside in around 70% of all releases. The market has lately lowered their expectations and the situation prior to the earnings season resembles the pattern we saw back in Q2; first lowering of expectations and the surprises to the upside leading markets higher.

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
NO CPI MoM (SEP)		0.8%	0.6%	-0.2%	
NO CPI Underlying MoM (SEP)		0.9%	0.7%	-0.2%	



Source: Bloomberg. Our calculations.

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

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