

# Thursday Morning Kickoff @ Saxo

## Manufacturing deceleration continues in developed economies

### Themes

- After yesterday's strong move in equity markets closing well above the 1170-level look for a retest of 1170 before moving towards 1200.
- Further deceleration is in the cards for both the overall Eurozone and its largest member country, Germany.

### What's going on?

European equity markets will likely open flat as most of the forceful surge that was in the US market yesterday did happen before the European closing and US futures is flat. Earnings continues to be the major driver of earnings as companies like Wells Fargo, United Technologies and Boeing did deliver very strong results and quite positive outlook for the earnings for the remains of the year.

Plenty of data today to cause commotion, including PMI's from Germany and the Eurozone, but earnings will still grab most of the headlines and guide equities.

### Thursday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
07:30	GE PMI Manufacturing (OCT)		54.6	55.1
07:30	GE PMI Services (OCT)		54.9	54.9
07:30	SW Unemployment Rate (SEP)		7.6%	7.4%
08:00	Eurozone PMI Composite (OCT)		53.7	54.1
08:00	Eurozone PMI Manufacturing (OCT)		53.2	53.7
08:00	Eurozone PMI Services (OCT)		53.7	54.1
08:30	UK Retail Sales ex Auto Fuel MoM (SEP)	0.2%	0.2%	-0.4%
09:00	SZ Credit Suisse ZEW Survey (OCT)			-5.1
12:30	CA Leading Indicators MoM (SEP)		0.2%	0.5%
12:30	Initial Jobless Claims		455K	462K
12:30	Continuing Jobless Claims		4420K	4399K
14:00	Eurozone Consumer Confidence (OCT)		-11	-11
14:00	US Leading Indicators MoM (SEP)		0.3%	0.3%
14:00	US Philadelphia Fed Business Outlook Index (OCT)		2.0	-0.7
14:00	US Fed's Bullard speaks at St. Louis Fed conference			

### Saxo Bank Strategy & Research

David Karsbøl, *Chief Economist*

John J. Hardy, *Senior FX Consultant*

Peter Garnry, *Equity Analyst*

Christian T. Blaabjerg, *Chief Equity Strategist*

Mads Koefoed, *Macro Strategist*

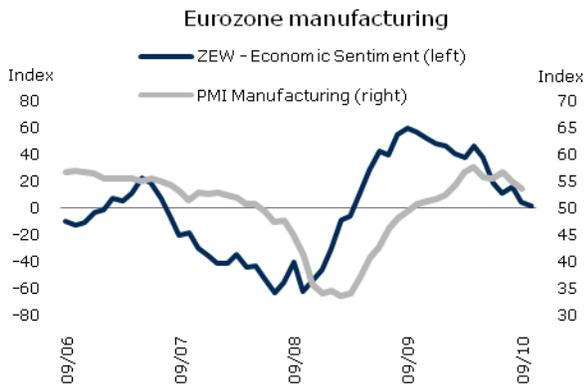
**Markets at a glance**

Eyes will be on the Eurozone – and Germany in particular – this morning as both economies are set to PMI (purchasing managers’ index) data for both manufacturing and services. Consensus is looking for limited declines in October though to levels that would still signal expansion. The ZEW survey out a few days ago certainly points to further deceleration in growth – and possibly contraction – in the manufacturing sector.



Source: Bloomberg. Our calculations.

And the same can be said of manufacturing in the Eurozone in general.



Source: Bloomberg. Our calculations.

The afternoon offers leading indicators for both Canada and the US, and in the case of the latter focus should be in whether the 'ex market components' index (ex. stock market and treasury spread) continues to weaken. It has shown monthly declines in three of the last five months with a flat reading in August. Particularly the interest spread continues to boost the US leading indicators index.

The Philadelphia Fed business outlook index (OCT) is also released today and consensus is once again looking for an increase despite two negative readings in a row. Furthermore consensus has been too optimistic in every report since May. The new orders component does not support a positive print as it came out at -8.1 in September. The prices paid and employment indices were the only positives in the September print, and the latter only marginally.



Source: Bloomberg. Our calculations.

A bunch of numbers out of China overnight confirmed our suspicion following the hikes in the lending and deposit rates that inflation would accelerate. Consumer prices are now growing at 3.6% YoY (SEP) vs. 3.5% earlier. Producer prices also accelerated and are now up 4.3%. The economy is cooling with 3Q GDP down to 9.6% YoY vs. 10.3% in 2Q. Retail sales are accelerating slightly, but production and fixed assets are down somewhat on a YoY basis.

**Equities: a closer look**

Rather unexpected the credit portfolio improvement continues and yesterday it was Wells Fargo that reported that they are scaling back expected loan loss provisions and this made as in the case of Bank of America and JPMorgan prior their earnings surprise to the upside. Boeing benefitted from a strong order book that clearly offset the delays of especially the 787 Dreamliner as Boeing sees demand picking up especially on the commercial side as Airlines is starting to invest again. This view on the future made Boeing raise their EPS forecast to high end of range and this is good news for the global economy. United Technologies also added with a beat of the streets’ expectations and this was driven by and large by unexpected high sales of jet engines. Finally

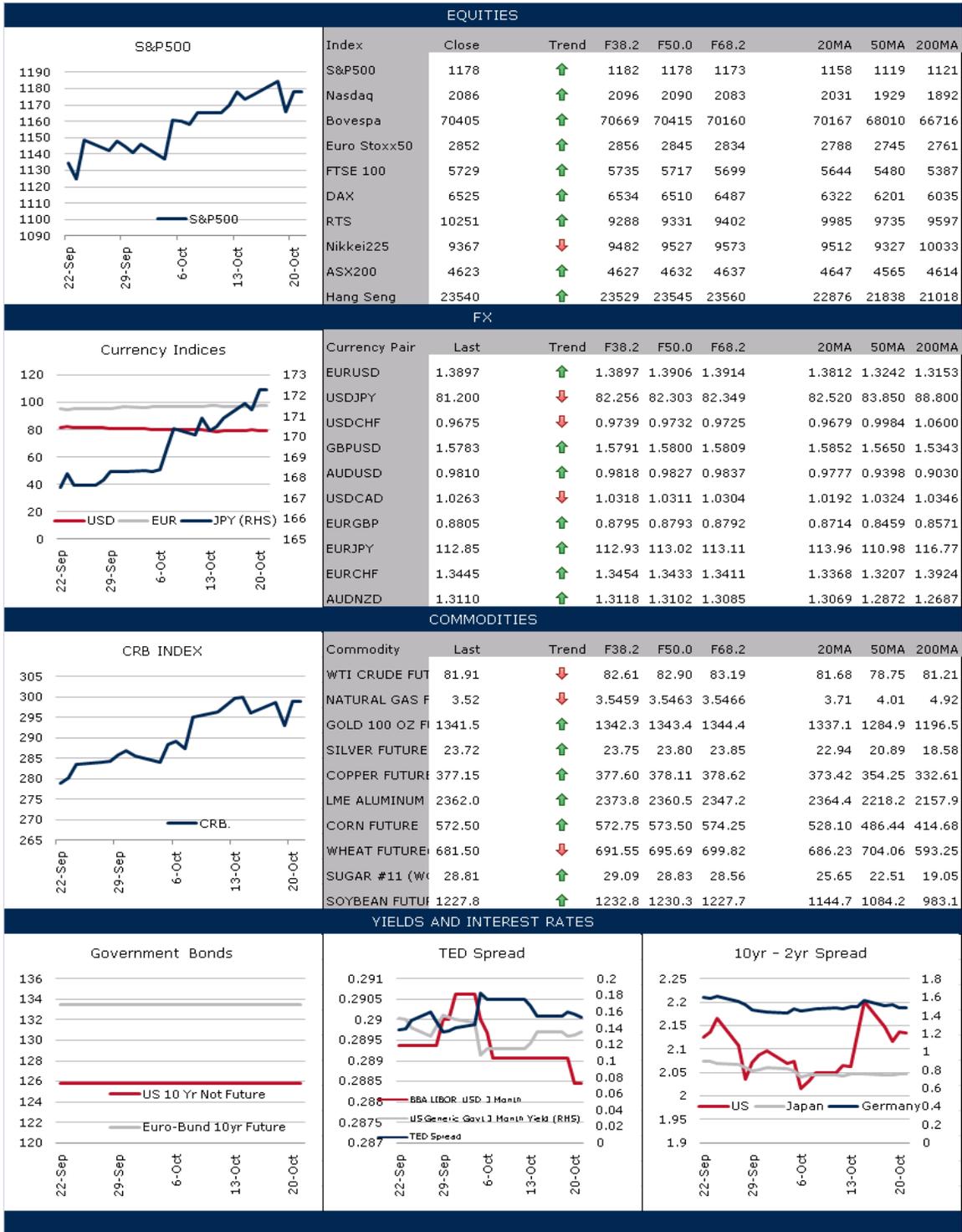
did Ebay surprise to the upside and lifted their forecast out of the prior range for 4Q provided by the company. So not surprisingly we had a very strong day in the equity markets yesterday and the earnings reports were able to offset the surprise hike in interest rates by China.

The European earnings season is kicked off today by Nokia, but else look for earnings season majors like Caterpillar, Amazon, Eli Lilly, UPS and AT&T from the US.

---

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
UK Public Sector Net Borrowing (SEP)		14.5B	15.6B	15.3B	14.2B
UK M4 Money Supply MoM (SEP)		0.3%	-0.3%	-0.1%	-0.2%
CA Wholesale Sales MoM (AUG)		0.5%	1.2%	-0.1%	0.0%
CH GDP YoY (3Q)		9.5%	9.6%	10.3%	
CH CPI YoY (SEP)		3.6%	3.6%	3.5%	

---



Source: Bloomberg. Our calculations.  
 Note: the 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](http://www.tradingfloor.com) or [www.saxobank.com](http://www.saxobank.com)

**NON-INDEPENDENT INVESTMENT RESEARCH**

This investment research has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further it is not subject to any prohibition on dealing ahead of the dissemination of investment research. Saxo Bank, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein.

None of the information contained herein constitutes an offer (or solicitation of an offer) to buy or sell any currency, product or financial instrument, to make any investment, or to participate in any particular trading strategy. This material is produced for marketing and/or informational purposes only and Saxo Bank A/S and its owners, subsidiaries and affiliates whether acting directly or through branch offices ("Saxo Bank") make no representation or warranty, and assume no liability, for the accuracy or completeness of the information provided herein. In providing this material Saxo Bank has not taken into account any particular recipient's investment objectives, special investment goals, financial situation, and specific needs and demands and nothing herein is intended as a recommendation for any recipient to invest or divest in a particular manner and Saxo Bank assumes no liability for any recipient sustaining a loss from trading in accordance with a perceived recommendation. All investments entail a risk and may result in both profits and losses. In particular investments in leveraged products, such as but not limited to foreign exchange, derivatives and commodities can be very speculative and profits and losses may fluctuate both violently and rapidly. Speculative trading is not suitable for all investors and all recipients should carefully consider their financial situation and consult financial advisor(s) in order to understand the risks involved and ensure the suitability of their situation prior to making any investment, divestment or entering into any transaction. Any mentioning herein, if any, of any risk may not be, and should not be considered to be, neither a comprehensive disclosure or risks nor a comprehensive description such risks. Any expression of opinion may be personal to the author and may not reflect the opinion of Saxo Bank and all expressions of opinion are subject to change without notice (neither prior nor subsequent).

This [website/communication] refers to past performance. Past performance is not a reliable indicator of future performance. Indications of past performance displayed on this [website/communication] will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

Statements contained on this [website/communication] that are not historical facts and which may be simulated past performance or future performance data are based on current expectations, estimates, projections, opinions and beliefs of the Saxo Bank Group. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Additionally, this [website/communication] may contain 'forward-looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

This material is confidential and should not be copied, distributed, published or reproduced in whole or in part or disclosed by recipients to any other person.

Any information or opinions in this material are not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be lawful. The information in this document is not directed at or intended for "US Persons" within the meaning of the United States Securities Act of 1933, as amended and the United States Securities Exchange Act of 1934, as amended.

This disclaimer is subject to Saxo Bank's Full Disclaimer available at [www.saxobank.com/disclaimer](http://www.saxobank.com/disclaimer).