

Friday Morning Kickoff @ Saxo

Germany continues to expand

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.

What's going on?

European equity markets will most 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 are flat. Earnings in terms of market driver will not be the force today as we have seen earlier as there are very few big names out today with earnings releases. The few interesting earnings come from Honeywell, Verizon, Schlumberger and STMicroelectronics.

Friday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
08:00	GE IFO – Business Climate (OCT)		106.5	106.8
08:00	GE IFO – Current Assessment (OCT)		110.0	109.7
08:00	GE IFO – Expectations (SEP)		102.9	103.9
11:00	CA CPI YoY (SEP)	1.8%	1.9%	1.7%
11:00	CA Core CPI YoY (SEP)	1.5%	1.6%	1.6%
12:30	CA Retail Sales MoM (AUG)	0.3%	-0.1%	-0.1%
12:30	CA Retail Sales less Autos MoM (AUG)		0.5%	-0.4%
15:00	US Fed to purchase bonds			
17:00	US Fed's Plosser speaks on regulatory reform			

Saxo Bank Strategy & Research

David Karsbøl, *Chief Economist*

John J. Hardy, *Senior FX Consultant*

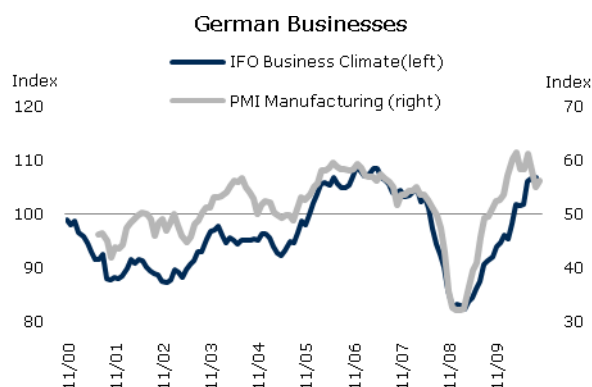
Peter Garnry, *Equity Analyst*

Christian T. Blaabjerg, *Chief Equity Strategist*

Mads Koefoed, *Macro Strategist*

Markets at a glance

German IFO, released today (OCT), will indicate what German businesses think of the both the current situation and the expected conditions in six months time. The business climate index – which is a composite of the current assessment and expectations indices – should be in for a slowdown in the coming months, but given yesterday's better than expected PMI's, we may be in for another increase today.



Source: Bloomberg. Our calculations.

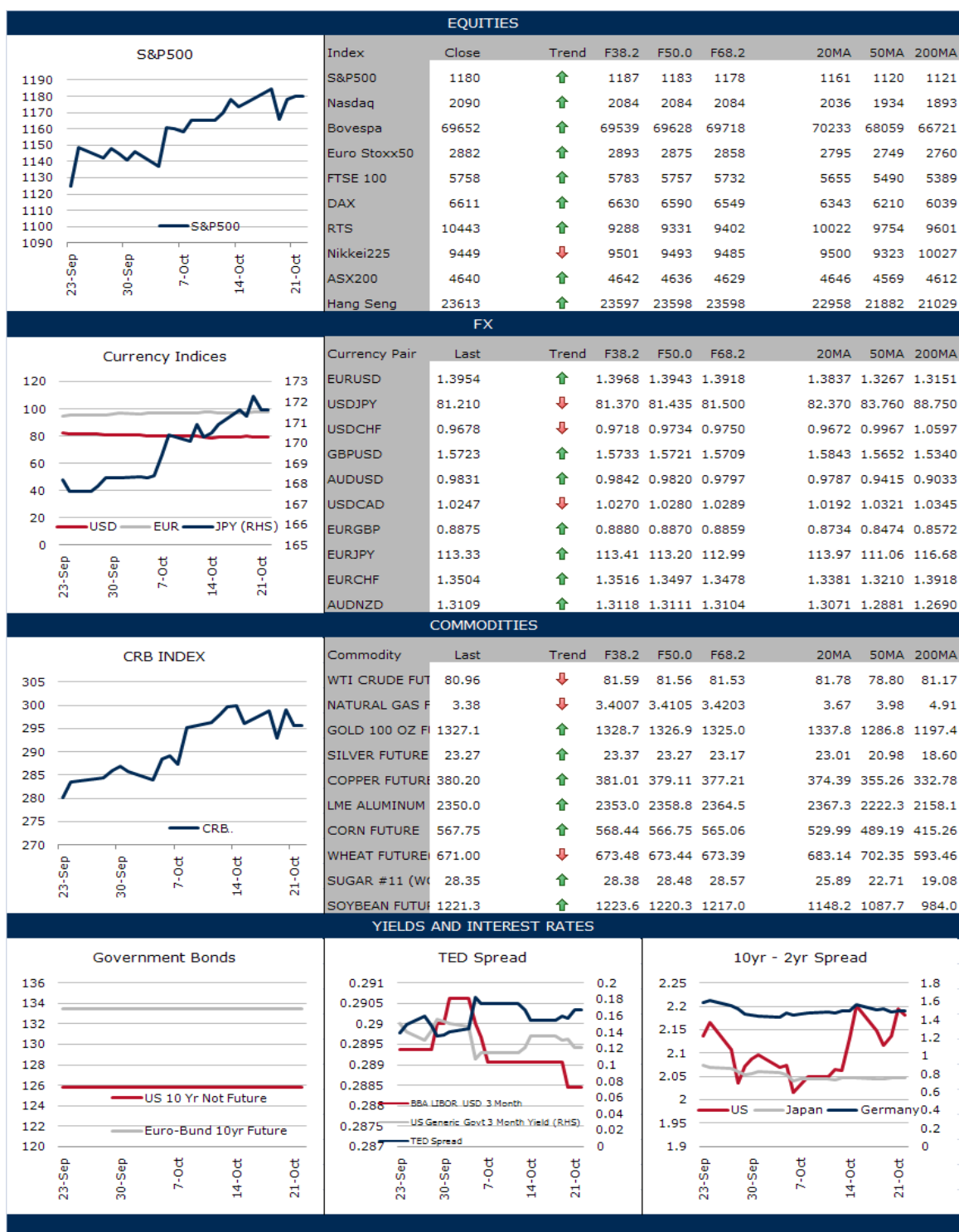
The US Philadelphia Fed business outlook managed to sneak into positive territory with a print of 1, but the internals of the report were very weak. It was primarily prices paid (31.5 from 9.8) which secured the positive reading, but unfortunately for businesses prices received continues to contract (-9.0 from -13.9), albeit at a slower pace. Perhaps a hint that the margin expansion has mostly run its course? Furthermore, inventories declined sharply (-18.6 from -16.7), and further signals that inventories will not contribute as much to growth going forward. New orders are still pointing down (-5.0 from -8.1), the fifth month in a row.

US leading indicators rose 0.3% MoM in September following a revised 0.1% increase in August. The money supply, stocks, and the interest spread once again contributed positively with a total of 0.56%-points, meaning that the 'real' economy's leading indicators declined some 0.2-0.3% MoM.

Equities: a closer look

The Nokia earnings were surprisingly strong, but we do expect some headwind for this company as they are going through a rather significant reorganization of their business while especially Apple continues to gain market share from amongst others Nokia. Caterpillar also released a very strong earnings report yesterday and this is indeed good news; both for the company as such, but clearly also for the wider economy as such; Caterpillar raised their full-year earnings forecast on increased demand from emerging markets and had in general had a quite optimistic view on growth rates for 2011 globally. Another company that is very useful as an economic indicator is United Parcel Service (UPS). Yesterday they clearly beat market expectations and raised their forecast for full-year earnings. In terms of an indication of economic growth UPS said that the volume transported in the US only raised by 3.6% QoQ, while international – especially driven by Europe and Asia the corresponding numbers was 13%. This clearly points towards what we have been expecting for a period now; growth both in terms of GDP and earnings will come out of emerging markets – especially India, Brazil and emerging Asia, while Europe and the US will remain sluggish.

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
GE PMI Manufacturing (OCT)		54.6	56.1	55.1	
GE PMI Services (OCT)		54.9	56.6	54.9	
SW Unemployment Rate (SEP)		7.6%	7.8%	7.4%	
Eurozone PMI Composite (OCT)		53.7	53.4	54.1	
Eurozone PMI Manufacturing (OCT)		53.2	54.1	53.7	
Eurozone PMI Services (OCT)		53.7	53.2	54.1	
UK Retail Sales ex Auto Fuel MoM (SEP)	0.2%	0.2%	0.0%	-0.4%	-0.6%
SZ Credit Suisse ZEW Survey (OCT)			-27.5	-5.1	
CA Leading Indicators MoM (SEP)		0.2%	-0.1%	0.5%	0.6%
Initial Jobless Claims		455K	452K	462K	475K
Continuing Jobless Claims		4420K	4441K	4399K	4450K
Eurozone Consumer Confidence (OCT)		-11	-11	-11	
US Leading Indicators MoM (SEP)		0.3%	0.3%	0.3%	0.1%
US Philadelphia Fed Business Outlook Index (OCT)		2.0	1.0	-0.7	



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 or 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.